



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# **JPRS Report**

## **China**

---

**1988 SELECTED PROVINCIAL  
ECONOMIC REPORTS**

**China**  
**1988 Selected Provincial Economic Reports**

JPRS-CAR-89-081

**CONTENTS**

1 AUGUST 1989

[For a previous compilation of some provincial economic reports for 1988, see JPRS-CAR-89-054 of 26 May 1989. Other 1988 provincial economic reports have been published in the regular CHINA series.]

Beijing Government Work Report [ <i>BEIJING RIBAO</i> 3 May]	1
Hebei Budget Report [ <i>HEBEI RIBAO</i> 8 May]	22
Inner Mongolia Government Work Report [ <i>NEIMENGGU RIBAO</i> 3 May]	30
Tianjin Financial Budget Report [ <i>TIANJIN RIBAO</i> 2 May]	47
Tianjin Socioeconomic Plan [ <i>TIANJIN RIBAO</i> 29 Apr]	52

## **Beijing Government Work Report**

40060639 BEIJING RIBAO in Chinese  
3 May 89 pp 1-4

[Article by Beijing Mayor Chen Xitong 7115 1585 0681, "Government Work Report—2d Session of the 9th Beijing Municipal People's Congress of 20 April 1989"]

[Text] Delegates:

In my capacity as mayor of the Beijing Municipal People's Government, I now submit the work report to the congress for its examination and approval.

### **I. A Year of Continued Advances in Construction and Reform**

The year 1988 was the tenth year of reform and opening to the outside world for China. It was a year of continued advances in modernization for the capital city, and it was also a year of improvement in the economic environment and rectification of the economic order.

With the kind attention and leadership of the State Council, and under the direct leadership of the Beijing Municipal CPC Committee, for the past year, people of all nationalities throughout the city have rallied spirit, united in struggle, and deepened reform in accordance with the decisions of the 1st Session of the 9th Municipal Congress, continuing to move ahead with economic construction and various social endeavors. Gross domestic product reached 39.3 billion yuan, a 13 percent increase over 1987 figured at comparable prices. National income reached 28.2 billion yuan, up 11.8 percent over 1987 figured at comparable prices.

**—All-around development of the rural economy.** Gross output of grain was 2.345 billion kilograms, up 3.3 percent from 1987 for a yield of 520 kilograms per mu, or 33 kilograms more than in 1987. Township enterprise gross income reached 11.88 billion yuan, 3.99 billion kilograms more than in 1987. Per capita net income broke the 1,000 yuan mark reaching 1,063 yuan, 147 yuan more than in 1987. Production of nonstaple foods such as vegetables, milk, eggs, meat, poultry, fish, and fruits showed substantial increases. The building of agricultural sideline products bases saw new advances in specialization, commercialization, and modernization.

**—Sustained growth of industrial production for an attendant rise in economic returns.** State-owned industrial enterprises within the local budget that have a bearing on the economic lifeline of the whole city surmounted unfavorable factors such as energy shortages and rises in the prices of raw and processed materials. Their income from sales rose 25.6 percent for an 18.9 percent increase in profits and taxes, with the payment to the state of 9.8 percent in profits and taxes. The labor productivity rate for all workers in industrial enterprises throughout the city rose 17.6 percent, and energy consumption per 10,000 yuan of output value fell 8.1 percent. Output of

key products and small commodities required in the people's daily life saw substantial increases. Twenty-three different products won national superior quality awards, and 400 different products were rated excellent by the ministry under whose jurisdiction their production fell and by the city. Transportation, posts and telecommunications, and communications industries continued development.

**—Municipal construction scores new achievements.** A total of 5.98 million square meters of city and town dwellings were built, making 1988 an all-time high year. Construction on key projects proceeded smoothly. More than 30 Asian Games fields, guest accommodations projects, and associated municipal government projects got underway, construction completed on 15 of them. Construction of basic facilities on which the city relies for its survival and development made important advances. A total of 11 trunk highways, and 64.8 kilometers of new roads were constructed during the year, with traffic beginning to move over the "East Gate" road. Work was largely completed on the first phase of the nine plant water resources project. An installed capacity of 200,000 kilowatts of power generation was added. The newly constructed 100,000 gate telephone sequencing project went into operation for a 43,000 household expansion in the number of telephone customers. A 6.05 million square meter centrally heated area was added, and 113,000 households began to use natural gas or coal gas. The construction of these basic facilities will perform an important role in the improvement of the people's living conditions and the further elaboration of urban functions.

**—Substantial progress made in the greening and beautification of cities and the countryside, and in environmental control.** Greening developed in depth throughout the city. A total of 1.94 million trees were planted and 1.06 million square meters sodded throughout the city, and preliminary work was done on greening along the city's second and third circumferential highways. The greening belt around the fringes of the urban area is 57 percent complete, totaling 50 kilometers. A greening project involving 11 wooded area median strips has begun to take shape, and greening work along five trunk highways running for a total of 400 kilometers is basically finished. Further work was done on key greening projects in five areas endangered by wind-blown sand, two watershed protection areas, and seven scenic areas. Afforestation work in distant suburban areas and counties exceeded quotas everywhere. A certain amount of progress was also made in improving the protection of drinking water sources, the removal or control of a number of polluting enterprises that troubled the citizenry, the central heating of urban blocks, civilian gasification, and protection of the agricultural ecology. Ten real tasks in environmental protection proposed at the beginning of 1988 were entirely completed.

**—Businesses contributed to advances in production and stabilization of markets.** In 1987, when demand for commodities shot upward, and particularly during the

two rather large surges in panic buying, thanks to the prompt action taken and the efforts of numerous business and industrial staff members and workers, the situation was stabilized fairly rapidly. Business units at all levels sent personnel into production areas to nail down sources of supply, organize shipments, replenish stocks, and allocate markets, virtually assuring supply of commodities needed in the daily life of the people. More than 8,000 newly added business and service network outlets further ameliorated numerous inconveniences in the daily life of the people. Lateral business associations and the building of supply bases saw further development.

**—New breakthroughs in foreign economic relations and trade.** The investment climate continued to improve. The partnership between industry and trade, agriculture and trade, and technology and trade became closer, and exports broke the \$1 billion mark. Enterprises permitting investment by foreign traders numbered 148, double the 1987 number. The "Beijing International Tourism Year" was a success, tourists from abroad numbering 12.04 million, with foreign exchange earnings from tourism amounting to \$670 million, up 21.7 percent from 1987.

**—Steady increase in financial revenues; tax, financial, and banking departments win new achievements.** Following 5 years of sustained and steady increase, financial revenues further increased 4.1 percent to 6.81 billion yuan in 1987 after discounting revenue reducing factors. Revenue collection was further intensified. In a situation of severe shortage of capital, financial and banking units used all means to organize savings, to tap potential, and to make cash flow. Their efforts stood the buffeting and the test of a craze for funds withdrawals, providing powerful support to the development of production and market supply.

**—Education, S&T, and culture all saw new advances.** Educational endeavors are a matter given increasing concern and support by all of society. Readjustments to the intermediate education structure continued, and both adult education and rural vocational and technical education increased. Despite a dramatic increase in the number of school age children, the adoption of various measures managed to avoid having to send children to primary school in two shifts. Scientific and technical work began to become geared to the strategic needs of economic construction, urban construction, and urban administration in the capital. In 1988, more than 3,700 scientific and technical achievements were made, up 40 percent from 1987. Of these, 2,904 were promoted in practical applications producing profits and revenues of 278 million yuan. A technology market began to take shape, the contracted volume of technical transactions breaking the 1 billion yuan mark giving powerful impetus to a rise in the level of production technology. Cultural, health and medicine, and physical education endeavors all saw new advances.

**—Remarkable results in the prevention of accidental deaths and conflagrations.** In order to protect the people's life and property, in 1988 the municipal government instituted responsibility system management having safety as its goal with regard to traffic accidents, industrial injuries, gas toxification, drownings, conflagrations, and food poisoning. In 1988, there were 251 fewer deaths from such causes than in 1987 making it the year of fewest accidental deaths in the past several years. There were 220 fewer conflagrations than in 1987 in a 39.7 percent decline, and a 3.38 million yuan reduction in losses.

**—Further strengthening of the legal system.** By way of gradually making urban construction and administration a part of the legal system, during 1988, a total of 73 local rules and regulations and municipal government promulgated rules and regulations were submitted to the Standing Committee of the Beijing Municipal People's Congress for consideration and passage. New achievements were also made in the building of a legal enforcement corps, and in law enforcement standardization and educational work to spread information about the law.

**Achievements in every regard were hard won during the past year. They were the result of the resolute endorsement and support of people of all nationalities throughout the city, and the joint promotion of reform, and the deepening of reform on the part of government at all levels.** Farming on a suitable scale gained the support of the broad masses of peasants, a suitable scale of farming being carried out in 68.2 percent of grain fields in suburban and plains areas, and for most non-staple food production. This has hastened the intensification of farming, has avoided a slump in farming, and has given great impetus to development of the rural economy. Industrial, commercial, construction, and public utilities units built on a foundation of continuing to develop and perfect multiple forms of operations contracting systems in which the "two guarantees and one link" system is predominant. Fifty percent of enterprises within local budget and 62 percent of staff members and workers tried out optimized labor groups, introduced the competition mechanism into the laboring personnel wage system, and deepened internal enterprise reforms. In foreign trade, a double track contracting system was promoted across the board, and the right to exercise initiative of foreign trade enterprises and export commodity producing enterprises was expanded.

Scientific research academies and institutes used popularization of the "three guarantees and one link" contract responsibility system and optimized groups as a foundation in beginning to shift the emphasis in reform to the building of new systems and new mechanisms to provide services to trades and industries. Fiscal, revenue, and finance and banking departments, as well as some public agencies and a small number of government organizations also tried out some experiments in reform. They preliminarily attained the goal of optimizing a

teaching corps, and stimulating the enthusiasm of teaching staff members and workers. In the reform of cultural, health and sanitation, and physical education units, new explorations were also made. The development and deepening of reform further stirred the socialist enthusiasm of the broad masses of the public, and provided powerful impetus to the development of all kinds of endeavors.

**The capital city's achievements during the past year are also the result of all battlefronts having conducted situational education, rallied spirit, and strengthened confidence.** Focusing on the various problems of ideological understanding brought about by temporary difficulties in economic life, all departments and units concentrated attention on indoctrination in carrying out the spirit of the 3d Plenary Session of the 13th CPC Central Committee, conducted situational education, fairly rapidly unifying understanding on improving the economic environment and rectifying the economic order, and on the deepening of reform. Faced with an energy shortfall, a funds shortage, and insufficient raw and processed materials, many enterprises turned inward to tap potential. The broad masses of staff members and workers had a sense of responsibility as masters in their own house, advanced despite difficulties, and struggled up the slope. In order to avoid using electricity during high peak periods, staff members and workers changed from a day shift to a night shift in an effort to complete all tasks.

**The achievements that the capital city has won during the past year are even more the result of people of all nationalities throughout the city having adhered to the four basic principles to maintain a political situation of stability and unity.** The broad masses cherish their hard won social stability, and being able to live and work in peace and contentment. Whenever unsettling factors appeared, they always took into account the situation as a whole, consciously struggling against whatever threatened stability and unity. Everyone is deeply aware that this is a fundamental prerequisite and a basic guarantee for the prosperity and development of all our endeavors. Without it, there can be no smooth construction and reform of any kind.

**It must also be pointed out that the winning of these achievements are the result of the supervision exercised by the Municipal People's Congress and the Standing Committee of the Municipal People's Congress, and also the result of the participation in government and political affairs, the offering of advice and suggestions, and the criticism and assistance of the CPPCC, all democratic parties, and people's organizations.** During the past year, the municipal government has submitted reports to the standing committee of the Municipal People's Congress, and to Municipal People's Congress delegates on 10 different occasions on 31 different topics, thereby placing the work of the municipal government under the supervision of the standing committee of the Municipal People's Congress. It has briefed the Municipal CPPCC

56 times, and received many valuable views. The discussions and dialogue between people in responsible positions in various parts of the government and the public, letters and inquiries from the public, and the criticism and supervision exercised by newspapers and public opinion have all given powerful impetus to the government's work, thereby enabling us to avoid or reduce the number of mistakes. The work of the Beijing Municipal Government has also received vigorous support from central government units in Beijing, military forces stationed in Beijing, and from fraternal provinces, municipalities, and autonomous regions. It has gained warm cooperation from compatriots in Hong Kong and Macao, overseas Chinese compatriots, and international friends. As representative of the municipal government, allow me to take this opportunity to express my heartfelt gratitude to all people everywhere who have supported our work!

In affirming the work achievements of 1988, we are also very conscious that throughout the economic life of the city problems exist in the form of overheating and total social demand outstripping total supply, which are strikingly expressed in the following ways:

**Overly rapid growth of industry, particularly processing industries.** The planned increase in gross output value for 1988 was between 5 and 6 percent. Actual growth was 17.1 percent. This led to an across-the-board shortage of energy, raw and processed materials, transportation, and capital.

**Overly large scale of investment in fixed assets.** We have effected control over investment within plan; however, investment outside plan is not yet sufficiently controlled. Too many buildings, halls, and other edifices have been built, with the result that during 1988 Beijing's investment in all social fixed assets reached 9.686 billion yuan, outstripping the city's endurance, and creating shortages in many respects.

**Overly rapid increase in consumption funds.** Conflict between supply and demand is extremely pronounced, some commodities being frequently out of stock.

**Overly abrupt rise in prices.** The Beijing municipal retail price index rose 18.6, 6.7, and 8.7 percent respectively from 1985 through 1987, but in 1988 it reached 21.9 percent. This rise brought in its wake a series of ill effects on social production and the people's livelihood, the real living standards of some urban and rural residents declining.

**Great increase in government financial subsidies.** In order to ensure production of necessities in the people's daily life, and no great damage to the people's standard of living from price rises, the municipal treasury used both receipts and disbursements in the subsidization of city

and town residents. Subsidies of 220 million yuan in 1978 rose to 2.52 billion yuan in 1987, and increased again to 3.25 billion yuan in 1988. A further increase is forecast for 1989.

**Tumult in the commodity circulation area.** Some companies in which there is no separation of government administration and enterprise management, and no separation between government and commerce misused their authority over financial and material resources to jack up prices, to profiteer from turnover of merchandise, to exploit their middleman position, and to seek exorbitant profits to the detriment of the country and the public, and the creation of market turmoil.

In addition, varying degrees of bureaucratism, slack management, foot dragging in performance, and not very high efficiency exist among government departments and working personnel. A small number of people also misuse their authority for private gain, and engage in corruption and accept bribes, damaging the government's reputation. Some government enforcement and supervisory departments do not enforce laws strictly or supervise vigorously. Some people even use the law for private gain, thereby opening the way for turmoil in the economic order, unhealthy tendencies in trades and industries, and corrupt practices.

The foregoing problems are part and parcel of the various conflicts and loopholes existing in the change from the old to the new system. Nevertheless, subjective examination also shows deficiencies and mistakes in directing work. One such is the lack of penetrating investigation and study of some major problems in economic life making it impossible to propose prompt preventive measures so that problems can be solved when they first appear. A second is that as a result of the desire to hasten the modernization of the capital, objective capabilities are frequently overlooked, and there is a tendency to be too anxious to succeed. Third, despite the achievements in various regards in reform, associated actions and macroeconomic controls have not followed closely, resulting in a disjointedness and conflicts in various regards. Fourth, in the building of socialist spiritual civilization, and particularly in the ideological realm and in the social atmosphere, some egregious problems in the nature of trends have not been sufficiently studied, vigorous action has not been taken, and work has lagged behind the development of events. These problems must be truly solved in future work. We earnestly welcome the criticisms and assistance of all delegates and people in all walks of life.

## **II. Unswerving Stress on Improvement of the Economic Environment and Rectification of the Economic Order**

Premier Li Peng's government work report approved by the 2nd Session of the 7th National People's Congress [NPC] explicitly cited six goals for improving the economic environment and rectifying the economic order.

Namely, he spoke about eradication of economic overheating, lowering the speed of economic growth to a more rational level; a halt to inflation, the rate of price increases during 1989 being markedly lower than in 1988, and the rate of increase further declining in 1990 and thereafter; contraction of the amount of investment in fixed assets, bringing them into line with what national resources can support, controlling the too rapid growth of consumption funds, making them consistent with the growth of national income; gradual moderation of the conflict in which overall social demand is greater than overall supply, bringing state funds, credit, material resources, and foreign exchange into basic balance; diligent readjustment of the economic structure, enabling substantial increases in output of major agricultural products such as grain, cotton, and edible oils, and enabling moderation of the scarcity of energy, transportation, and raw and processed materials; building and perfecting needed economic regulations, as well as a macroeconomic regulation and control system and monitoring system, actively promoting the building of a new order in the socialist commodity economy. Realization of the foregoing goals will be an extremely daunting task. It will require greatest determination, the adoption of effective measures, improvement and strengthening of government work, improvement of work efficiency, and mobilization of the people of all nationalities throughout the city to struggle in full cooperation and with unity of purpose.

Since October 1988, all levels of the Beijing Municipal Government have done a large amount of work in accordance with guiding policies of the CPC Central Committee and State Council plans, scoring preliminary results in improving the economic environment and rectifying the economic order. The scale of investment in fixed assets has been cut. As of the end of March 1989, 555 construction projects throughout the city were halted or put on hold in a 9.28 billion yuan reduction in investment and a 4.8 million square meter reduction in construction area. The purchasing power of social organizations has been further controlled through a 24.6 percent volume reduction in 1988 versus 1987, the State Council goal of a 20 percent reduction being realized. The slippage in savings deposits was reversed, the savings deposits of urban and country residents gradually making a comeback. Savings deposits at the end of the fourth quarter in 1988 were 360 million yuan more than at the end of the third quarter, the year end surplus amounting to 11.16 billion yuan, up 20 percent from 1987. During the first quarter of 1989, they rose another 1.37 billion yuan. The tendency for overly sudden price rises began to moderate, the degree of rise during the first quarter of 1989 falling slightly from the fourth quarter of 1988. Results of a major survey of government finances, tax revenues, and price rises have been marked, the survey uncovering 369 million yuan from violations of discipline, 224 million of which has been deposited in the treasury. The inventorying and restructuring of all types of companies uncovered a number of cases involving violations of the law. Serious cases of profiteering and speculation have

been turned over to judicial organs for investigation and direct assignment of criminal responsibility to those responsible. Of 229 enterprises run by party and government organizations, or public groups, all but eight in which inventorying is continuing, have been separated from official organizations. Except for a small number of persons approved in accordance with regulations because of special circumstances, all party and government personnel concurrently holding positions in companies have resigned from either their company position or their official agency position.

Despite certain achievements during 7 months of improving the economic environment and rectifying the economic order, only a first step has been taken and achievements cannot be overestimated. The present economic overheating, and the impetus toward too brisk a demand have not been fundamentally contained. A very long way remains to the accomplishment of the goals. In addition, in the process of improving the economic environment and rectifying the economic order, some new problems and unforeseeable difficulties may arise. We must fully realize the arduousness and complexity of improving the economic environment and rectifying the economic order, unwaveringly yet extremely prudently taking firm hold of improving the economic environment and rectifying the economic order.

**A. Excessively high demand and excessively rapid development must be held down.** Continued cutbacks and control of the scale of investment in fixed assets are major means for curtailing overall social demand, curbing price inflation, and stabilizing the economy. State Council targets for Beijing require a 46.6 percent cutback over 1988 in the scale of local overall social investment in fixed assets, including a 52.7 percent cutback in units under ownership of the whole people. Fulfillment of this task requires close attention to three major links as follows: One is a determined halt or delay of some construction projects, particularly buildings, halls and other edifices. Second is firm plan control over investment in fixed assets, making both investment outside of budget and investment within budget a part of plan, instituting overall balance, using tax revenues, credit, and necessary administrative methods to effect regulation and control in accordance with State Council requirements pertaining to industrial policies. Third is rigorous control of new construction starts. Except for education, farmland water conservancy, basic urban facilities, and projects for which contracts have already been signed, in principle no new projects should be started during 1989. With regard to projects that have been halted or put on hold, a good job should be done in follow-on work to reduce losses to the minimum. For projects that must be preserved, attention should also be paid to conservation of capital and materials.

Strict control over the overly fast growth of consumption demand, and proper guidance of consumption. Social group purchasing power was cut another 20 percent from

its 1988 basis. Expenditures for wages, bonuses, subsidies, welfare payments and administrative expenses must be rigorously controlled, loopholes closed, and supervision and inspection enhanced. The small number of state-owned enterprises under municipal jurisdiction that have yet to link their total wage bill to economic performance should forge such a link, and further summarize and perfect linking methods, genuinely achieving a situation in which the total wage bill rises and falls as economic performance improves or declines, enterprises being responsible for both gains and losses. Simultaneous with cutbacks and control of consumption demand should be the adoption of various methods for gradually readjusting the make-up of consumption to guide properly the direction of flow of purchasing power. Encouragement should be given the people to save, to absorb, to shift, and to delay surplus social purchasing power; a portion of consumption funds should be converted to accumulation funds; and control over tax levies such as individual income regulatory taxes, taxes on bonuses, and special consumption taxes should be enhanced. There should be strict control and supervision of privately owned enterprises and self-employed workers and business people. While continuing to overcome concepts of egalitarianism and the common pot, problems with unfair distribution should also be gradually solved.

Increasing economic returns, and controlling the speed of economic development. Leaders should shift their attention to the tapping of enterprises' potential, lowering consumption of materials, improving product quality, cutting production costs, and raising labor productivity rates. They should strive for a proper lowering of speed, and a rise in returns. A 7 percent increase in Beijing's gross domestic product is planned for 1989. This is an actual 6 percentage point decrease from 1988. Plans call for an 8 percent increase in industrial output value, an actual 11 percentage point decrease from 1988. This arrangement is rather helpful to the stable, coordinated development of the economy, and it also helps increase economic returns.

Cutback policies with regard to public finance and banking, striving for balance between fiscal receipts and expenditures. Plans call for a 4 percent increase in public revenue to 7.08 billion yuan. Government financial expenditures are to be strictly controlled. Except for suitable increases in expenditures for education, science and technology, price subsidies, wage reform, investment in agriculture, and the construction of basic urban facilities within plan, great efforts must be made to hold all other expenditures down to actual expenditures during 1988. There must be strict control of the amount of credit, and conscientious restructuring of the financial order. The credit structure is to be readjusted in accordance with the needs of national industrial policy. While increasing savings deposits, the amount of bank credit must be controlled within decided on norms.

**B. Continued determined restructuring of the economic order, particularly order in the commodity circulation**

**field.** Varying degrees of disturbance currently exist in the production and construction fields, and is particularly severe in the commodity circulation field, requiring continued conscientious restructuring. There must be further inventorying and restructuring of companies of all kinds, a reexamination of companies' qualifications, and a reissuance of operating licenses in groups and over a period of time. Following inventorying and restructuring, as soon as any instance is found in which party or government agencies are operating companies, or in which party and government cadres hold concurrent positions in a company, it must be decisively dealt with. The founding of a new company must go through a strict examination and approval procedure so as to prevent inventorying on the one hand only to have new turmoil appear on the other. The supervision of any kind of company is a long-term task. Industrial and commercial, revenue, and auditing departments at all levels should handle it as a regular task. The renting out of business space by state-owned commercial departments requires a strict examination and approval procedure, strengthening of control, and examination and supervision. Should any leaseholder be found to be misrepresenting inferior merchandise as good, and cheating customers, not only is he or she to halt business according to law, but an investigation is to be conducted to fix responsibility on the unit that rented out the business space.

The most fundamental means for making price rises markedly lower in 1989 than during 1988 are to develop production, increase returns, increase effective supply, and control too great demand. In addition, price and market control must be genuinely strengthened, and financial discipline strictly enforced. During 1989, in principle, Beijing will make no new price adjustments other than those that the State Council has prescribed. Should some special reason genuinely necessitate price readjustments, separate requests for approval will have to be filed with city and State Council price control departments as circumstances warrant. There are to be no changes, without exception, in prices of rationed amounts of grain, edible oil, meat, eggs, and sugar supplied to city and town residents. Commodity prices and fee collection standards to which state fixed prices and state guidance prices apply must be publicized and strictly enforced. Maximum price limits may not be exceeded in any case. Where prices and fee standards for important commodities have already been loosened, a price rise application system and a price rise record system is to be instituted. A fair price differential between entry and sale and between wholesale and retail price is to be set, the number of intermediate commodity circulation links reduced, and middleman extortion eliminated. Control departments at all levels, including industrial and commercial, tax collection, price, statistics, measurement, technical supervision, and health quarantine must intensify market control and supervision, rigorously attack efforts to dominate markets, profiteering and speculation, jacking up prices and such illegal conduct. They should also rely on and instigate the public to supervise prices, building a supervision and

inspection system made up of the public, people's congress delegates, CPPCC members, and noteworthy personages from all walks of life. They should resolutely stamp out unlicensed dealings. Franchising should be done for some important means of production, the remainder being sold in centralized markets with prices clearly marked for open exchange. Franchising departments must strictly enforce state prescribed franchising methods and price policies, absolutely not permitting their monopoly position to be used to garner exorbitant profits. Economic supervisory departments should intensify supervision and control over franchising units. All possible means should be used to increase savings, and strict examination and approval procedures, and control should be exercised over all forms of social fund raising. Although financial subsidies have become a heavy burden; nevertheless, there is to be a certain amount of increase in financial subsidies during 1989 to help stabilize markets, and to even out prices. Through the efforts of government departments at all levels, with the help and support of the public at large, and by diligently carrying out policies and measures to improve the economic environment and rectify the economic order, and to open reform, the goal can be attained of price rises during 1989 being less than in 1988.

**C. Readjustment of the economic structure in an effort to realize consistent, long-term development of the economy.** Rectification of the economic climate and restructuring of the economic order are essentially a one time new economic readjustment. Recently the State Council produced "Decisions on Current Industrial Policy Key Points." This is an important document for further implementation of the policies of the 3d Plenary Session of the 13th CPC Central Committee. The municipal government will apply it to the circumstances obtaining in the capital in light of various readjustments already made, and work out specific methods for its planned, step-by-step implementation. Work in the following several regards should now receive serious attention:

1. Readjustment of the rural economic structure to ensure new increases in the output of grain, and particularly non-staple foods. This is an important matter for insuring stability in the people's livelihood. Investment in agriculture must be further increased, and the municipal treasury plans to allocate 330 million yuan in support of agriculture, a 14.6 percent increase over 1988. This will be used mostly for energetic increases in the construction of farmland water conservancy, the mechanization of agriculture, and the building of grain, and non-staple food bases. Agricultural science and technology is to be further promoted. Arrangements have been made for the supply of livestock fodder and the means of production. Vegetables are the principal non-staple food, and they are essentials that the people cannot do without in their daily lives. Simultaneous with steady increases in vegetable production in the close-in suburbs, and continuing to make the most of advantages that other places provide during 1989, work emphasis is to be placed on

energetic development of vegetable growing in the far-out suburbs, efforts being made to increase the vegetable field acreage in the far-out suburbs by 70,000 mu. This will make it possible to stabilize the vegetable growing area for the city as a whole at about 350,000 mu, maintaining vegetable shipments to the city at more than 1.3 billion kilograms. Production of non-staple foods including meat, milk, eggs, poultry, fish, and fruits is to continue to develop in order to fill up the city residents' food baskets. At the same time, it is necessary to do more about land control, strictly prohibiting arbitrary takeovers of cultivated land, stabilizing the grain field area, working to improve yields, increasing output, and striving for bumper grain harvests. The farming and breeding industries, which are realizing the economies of scale, should further promote businesslike management methods, raise funds for the building of agriculture, and practice the building of agriculture through agriculture. Township enterprises should conscientiously carry out a policy of "taking a firm hand in readjustment, raising levels, and seeking results," correctly handling the relationship among the expansion of grain production, non-staple food production, and the development of township enterprises, adhering to a program of using industry to augment agriculture. Continued efforts must be made to support the building up of mountain regions, increasing investment of funds and science and technology to enable mountain regions to further narrow the gap between themselves and the rich areas on the plain.

2. Readjustment of the industrial structure, increase in effective supply, and taking the road of appropriate speed and high efficiency. This includes the development of electronic, food, printing, light industrial, light motor vehicle, and precision machinery industries, as well as scarce energy and raw and processed materials industries appropriate to the capital city in accordance with state industrial policies.

More building of energy sources, vigorous increases in coal and electricity production, and active expansion of communications and transportation industries. This entails readjustment of the product mix of iron and steel, and other basic raw and processed materials, doing all possible to increase output of things in very short market supply without increasing energy.

Readjustment of the product mix, doing all possible to develop the 15 different key products and products for support of agriculture included in city plans, and small commodities much used in the daily life of the people. Enterprises producing the aforementioned products should be given priority in the supply of capital, energy, material resources, transportation, and bonuses for increases in production in excess of plan.

Active promotion among enterprises of optimized groups. Enterprises that are failing for other than policy reasons, enterprises that have yet to fulfill contract requirements, enterprises that continue to produce beyond the stipulated period products that are to be

eliminated, and enterprises lacking prospects for development should be publicly identified at regular intervals and policy limitations invoked to force them to close, halt production, or merge.

3. Increased building of basic urban facilities, guaranteeing construction of key projects, and continuing to devote close attention to improvement of the environment in the course of economic readjustment. Despite the steady increase in recent years in state investment of funds in the building of basic urban facilities, they remain unable to meet the needs of urban socio-economic development. During 1989, the construction of water, electric power, gas, heating, highway, and post and telecommunications projects already included in plan should be guaranteed insofar as determined cuts and control over the scale of investment in fixed assets permits. In the course of readjusting the structure of investment in future years, investment in the construction of basic urban facilities should increase each year as a percentage of total social investment in fixed assets for the gradual attainment of a benign cycle in the urban construction operating mechanism.

It is necessary to ensure completion according to plan of key state projects, particularly Asian Games projects and associated facilities. Concurrent with appropriate cutbacks in the building of staff member and worker dwellings should be the completion according to plan of housing for middle school teachers, environmental protection staff members and workers, and grassroots level business staff members and workers, as well as housing through implementation of private housing policies.

Environmental protection and afforestation are important matters having a bearing on the overall development of the economy and society, and on posterity to which a high degree of attention must be paid. The principle of synchronized planning, synchronized implementation, and synchronized development should continue to be maintained in the building of cities and the countryside, and in the improvement of the environment in order to attain the common goal of economic benefits, social benefits, and environmental benefits. During 1989 the capital city's campaign for obligatory tree planting by the whole people, and greening and beautification work should be raised to a new level. The municipal government will continue to operate 10 environmental protection projects in being, and district, county, bureau, and company headquarters should also formulate their own plans and mobilize all forces to ensure fulfillment of these plans. Continued emphasis should be given the protection of sources of potable water, and to the cleaning up of bodies of water and air pollution. The area around Asian Games playing fields and housing accommodations, and the environment on both sides of major streets should be cleaned up. In addition, noise and solid waste pollution should be prevented and controlled.

Cultural relics protection laws should continue to be enforced, and cultural relics and historical sites rigorously protected. In urban construction, the ancient capital atmosphere is to be preserved.

4. Continued energetic efforts to develop tertiary industries that serve production and the people's livelihood. For a long time, tertiary industries to provide service to production and the people's daily life have been a weak link in the development of Beijing's economy. As an especially large city, and a center of international intercourse, Beijing's contradictions in this regard are conspicuous. In recent years, we have adopted a series of support policies and measures for very great development of tertiary industries in the capital city, their percentage of gross domestic production rising from 23.7 percent in 1978 to 37.4 percent in 1988, and commercial service industry network outlet points expanding from 15,000 to 111,000. Consequently, numerous inconveniences in the daily life of the people have been ameliorated to a certain extent. Nevertheless, the number of commercial and service industry network outlet points and facilities remain unable to satisfy needs. It is necessary to continue vigorous efforts to develop commercial and service industry network outlet points, the planned construction and improvement of a number of business centers and corresponding basic associated facilities following a policy of "the state, collectives, and individuals all rising together." The emphasis during 1989 is on paying attention to network outlet points associated with newly constructed housing areas, especially to the building of grain shops, vegetable shops, and non-staple food shops closely associated with the daily life of the public. An additional 8,000 small business and service industry network outlet points are to be developed, and attention devoted to the building of large and medium size commercial and service industry projects already included in plan to ensure their on-time availability for use.

The stability and prosperity of capital city markets is a major task in the current economic readjustment. When markets are stable, the people are content. State-owned business units and supply and marketing cooperatives are main channels for the circulation of commodities, and they bear the main burden in making the capital's markets stable and prosperous. Every available means must be used to organize the supply of commodities, and maximum efforts made to satisfy the needs of production and the people's daily life. Commodity supply remains fairly tight at the present time. Not only should local municipal production units strive to increase output, but continued efforts should be made to develop lateral economic links between industry and business, agriculture and business, and among businesses that transcend regions, industries, and sectors, further expanding the construction of supply bases elsewhere. Commodity supply and demand information should be actively provided to industrial and agricultural production departments, and energetic efforts made to provide systematic services before, during, and after production.

5. Expansion of foreign trade and economic and technical cooperation, development of international tourism, thereby advancing both the opening to the outside world, and improving the economic environment and rectifying the economic order. Energetic development of an externally oriented economy is not only an important ingredient in modernization, but also an important condition for realizing the goal of improving the economic environment and rectifying the economic order. First, it is necessary to ensure sustained development of foreign trade, applying the principle of overall planning that takes into account both domestic and foreign sales to the readjustment of the industrial structure and the product mix, effecting a rational readjustment of the export commodity mix in order to increase the export percentage of electromechanical products and the proportion of high added value products while limiting the export of high loss products. Active efforts should be made to open international markets, to export more, and to create foreign exchange, producing foreign exchange earnings from exports amounting to \$1.05 billion during 1989.

Full use of the favorable international climate, actively attracting foreign capital, and importing advanced technology through many channels. The operation of enterprises that foreign traders have invested in that have advanced technology and create foreign exchange from exports, as well as increased construction of basic urban facilities are the keys in Beijing's attraction of foreign capital. Efforts must be made to bring in foreign trader operated sole proprietorships, and to transform existing enterprises into joint ventures and cooperative enterprises, to continue to improve the investment climate, guarantee the legal rights and interests of foreign traders, readjust the structure of imported commodities, and use limited foreign exchange where it will do the most good. Efforts should be made to digest and assimilate imported advanced technology, making it Chinese as soon as possible. Active efforts should be made to open international markets for contract labor, and to improve economic returns from foreign contract projects and labor cooperation.

Tourism is a new industry for increasing foreign exchange revenues. The special advantages that Beijing possesses for the development of tourism are becoming increasingly apparent. Foreign publicity should continue to be expanded to attract more tourists from overseas. Improved management of tourism, restructuring of tourism, improving the mental and professional attributes of service personnel, service quality, and the development of tourist merchandise is to be the emphasis of tourism work during 1989 to promote the development of tourism.

Improving the economic environment and rectifying the economic order is a daunting and complex job that will take 2 years or more to complete according to CPC Central Committee and State Council plans. We should devote ourselves to it wholeheartedly and without the slightest hesitation, painstakingly organize, act with due

caution, and do all possible to reduce errors. In order to win success in improving the economic environment and rectifying the economic order, all levels of government from the municipal government on down, and particularly leading cadres, should emphasize solution to the following problems in their thinking:

**First is inculcation of the concept of the overall situation.** Improving the economic environment and rectifying the economic order is a one time readjustment of interests that will inevitably affect interest patterns, requiring that some districts, departments, and units make necessary sacrifices. In this, the interests of the overall situation are paramount, and the concept must be firmly inculcated that partial interests are subordinate to overall interests. It is necessary to watch events and deal with problems from the heights of the overall situation, and "special circumstances" positively cannot be used as pretext for the maintenance of one's personal interests at the expense of the overall situation. Some comrades fear lest "honest people will get the worst of it," and lest "I yield, but others may not yield." This is understandable. It has to be admitted that such situations did occur in the past. Such errors must be prevented during this improvement of the economic environment and rectification of the economic order. Nevertheless, this positively cannot be used as a pretext for not implementing policy measures for improving the economic environment and rectifying the economic order. Even if one loses a little, the overall situation must be kept in mind.

**Second is a mentality of having to go through lean days.** Government at all levels, and public agencies must do all possible to control expenditures, vigorously encourage hard work, thrift, and arduous struggle, resolutely halt the use of public funds for lavish dining and drinking, entertaining guests and gift giving, and enjoying life. The municipal government has decided that administrative agencies and institutions financed out of public funds may not purchase small motor cars during 1989 and 1990 unless absolutely necessary, and unless the municipal government has granted special approval. They are also to inventory vehicles on hand, all in excess of their table of equipment to be locked up for safekeeping. All vehicles purchased in violation of controls will be confiscated.

**Third is strengthening of organizational discipline.** Since improving the economic environment and rectifying the economic order is a readjustment of interest patterns, corresponding organizational measures and disciplinary restrictions are necessary. The leadership authority of the CPC Central Committee and the State Council must be resolutely maintained, and the authority of laws and discipline must be maintained so that when an order is received it will be carried out, and whatever is proscribed will be halted. Unit leaders who resort to deception and feign compliance, certain that "there may be policies at the top, but there are ways around them at the bottom" in an effort to avoid "coming to notice" are to be strictly investigated and severely punished.

### III. Link Closely Improvement of the Economic Environment and Rectification of the Economic Order to the Deepening of Reform

Improving the economic environment and rectifying the economic order is a necessary condition for the deepening of reform, and it is also an important part of the deepening of reform. Only when improving the economic environment and rectifying the economic order is unwaveringly carried out can the way be cleared for the deepening of reform and the creation of a fine economic climate. In addition, only through the unflagging deepening of reform can the various tasks in improving the economic environment and rectifying the economic order be better completed for the gradual building of a new socialist commodity economic order. Thus, it is necessary to link closely improvement of the economic environment and rectifying the economic order with the deepening of reform to provide a new foundation for giving impetus to the development of reform in depth and in breadth.

The main tasks of reform in Beijing during 1989 are to summarize experiences, and to consolidate, develop, and perfect various reform measures that have been shown to be effective. New reform measures should be limited solely to carefully conducted pilot projects.

**A. Continued development and perfection of agricultural operations at an appropriate scale.** Practice has shown that operation at an appropriate scale in agriculture, including forestry, and the aquatic breeding industry are consistent with the level of development of rural productivity in Beijing's suburbs, and is also an effective way in which to enhance self-development capabilities in agriculture, and to realize rural economic specialization, commercialization, and modernization. It must be given unwavering attention to enable its steady consolidation, development, and perfection. It must be a part of the readjustment of the structure of rural industry to score new advances in the building of internal operations responsibility systems, the perfection of a production service systems, increasing self-regulating capabilities, and making the most of benefits obtained from operations scale. At the same time, it is necessary to do good ideological and political work in the process of promoting the scale of operations, adhere to the principle of voluntary participation by the masses, and increase education and guidance of the peasantry. Rural areas not having requisite conditions for carrying out scale operations should continue to perfect household responsibility systems, linking remuneration to output, and further advance increases in the agricultural labor productivity rate. At the same time, preproduction, during production, and postproduction services for the development of agriculture should be improved in these areas.

**B. Implementation and perfection of "multiple forms of contract management responsibility systems" in which "two guarantees and one link" form the main component should form the foundation for further introducing the**

**competition mechanism into enterprises, and for the widespread promotion of optimized labor groups, and gradual increased use of contracts and regularization.** A sense of competition and a sense of risk taking among staff members and workers should be further increased, and the old egalitarian "large common pot" system in which "iron armchairs" [tenure], "iron rice bowls" [sinecures], and "iron wages" are the mainstay must be smashed in order to attain the goal of inspiring the enthusiasm of staff members and workers and improving economic returns. This also has to be linked to enterprises' realities, attention given to solving new problems that arise in optimized labor groups. The "Enterprises Law" must be conscientiously implemented, enterprises being given more decisionmaking authority and their vitality enhanced in order to help them overcome all sorts of difficulties. In addition, there should be continued development and perfection of lateral economic partnerships and cooperation. Industrial policies should provide guidance, the principle of voluntary participation, and the principle of compensation for the transfer of production authority should be upheld, and the rationalization of enterprises' organizational structure actively advanced. Pilot projects on the stock share system should be steadily conducted, primarily in enterprises under a system of public ownership. Mergers, leasing, contracting, stock share participation, control of shares, joint management, and even administrative transfers should be used in the resolute transformation and elimination of enterprises that are depressed, have no prospects, have backward technology, and do not produce high returns. Enterprises and entrepreneurial blocks whose technology, management, scale, strength, and returns are at an advanced level domestically, and that are competitive in international markets should be actively nurtured and developed in order to shape a hardcore force for Beijing's economic development.

**C. Good performance in the running of pilot projects for reform of the city and town residents' housing system to bring about a gradual commercialization of housing.** This is not only a basic way in which to improve the housing conditions of city and town residents and bring about a benign cycle in the construction of housing, but also an effective means of reapportioning the consumption pie, and of guiding and soaking up purchasing power. Pilot projects should continue to be run on various ways of selling commodity houses following the principle of both houses for purchase and houses for rent being available, no subsidies, no increase in the burdens of the state and enterprises, voluntary purchase of houses, appropriate preference, floating prices, and concurrent concerns for the welfare of the state, the collective, and individuals. First is the sale at preferential prices of old houses and newly constructed houses that units have managed themselves. Second is the sale at market prices of centrally built new houses, prices depending on the market. Third is the formation of housing cooperatives with collective pooling of funds to build houses. Fourth is improvement of old and dangerous houses, giving occupants a preferential price in the sale of such houses. The housing

assignment system that has endured for a long time must be reformed, but there should be no impatience for quick results. During 1989, the scope of pilot projects should be steadily expanded, experiences gained being used to draw up pertinent macroeconomic control regulations after which they should be put into practice in groups and over a period of time. Once begun, a new order should be established in the buying and selling of commodity houses.

**D. Active exploration of comprehensive reform of economic departments for the gradual establishment and perfection of a macroeconomic regulation and control system.** Planning units should take firm hold of the key link, which is the investment system, and strive to make plans apply to the whole society. Currently, it is particularly important to do more study and to formulate effective methods for macroeconomic regulation and control of unbudgeted funds, projects outside of plan, and economic units not under national jurisdiction. Fiscal departments should maintain and perfect financial contracting systems at all levels, further spell out duties and apportionment methods, increase budget restraints, and strive to increase receipts and reduce expenditures. Tax units should adapt to the new situation of improvement in the economic environment and rectification of the economic order, improve tax collection and administration, and use taxation to regulate social production and distribution. While intensifying control over financial markets and restructuring the financial order, finance and banking units should actively readjust the credit structure, provide finance capital, and strive to increase savings deposits. In a situation in which various forms for setting prices exist at the same time, pricing units should perfect price control systems and increase supervision and control of prices. Labor units should take firm grip on reform of the wage system, control the overly rapid increase in consumption funds, and act with all possible speed to build a new social support system, and expand labor markets. Industrial and commercial administrative control, auditing, and statistical units should strengthen supervisory functions, improve work systems, and effect control in accordance with law. All overall financial units should cooperate with each other, closely coordinate, and strive for control without stifling, and vitality without chaos.

**E. Consolidation and perfection of foreign economic and foreign trade system reform.** The dual track contracting system for foreign trade enterprises and production enterprises should continue to be perfected, and the export agent system actively pursued. The allotted quota and permit system should also be reformed, the competition mechanism introduced, superior enterprises helped along and inferior ones curbed.

**F. Continued reform of the education and S&T systems.** General education, higher education, vocational and technical education, and adult education should be reformed in a planned way, level-by-level, to meet basic requirements for improving educational quality.

and training up new people possessed of the four attributes. Various means should be used to relate the work of scientific research academies and institutes to the work of production enterprises, and to encourage scientific research units to use contracting, partnerships, and mergers to operate scientific and technical enterprises. There should be further perfection of control over technology markets, and the development of civilian run scientific and technical enterprises should be fostered and guided.

**G. Active and well founded reform of the political system, and of the cultural, health and sanitation, and physical education fields.** The State Council has already decided to delay temporarily the reform of local government structures. During 1989, the emphasis is on concentrating energies to do a good job in the study and validation of plans, nevertheless, it is necessary to act firmly to solve problems such as the separation of government administration and enterprise management, changes of functions, reconciliation of relationships, and strengthening of macroeconomic control. Further emphasis is to be placed on the building of political authority at the grassroots level, bringing into full play the role of mass self-government organizations. Rather good results in cultural system reform have already been attained in pilot projects for people's art theater, and Chinese acrobatic troupes. During 1989, experiences are to be summarized and further perfected, and several additional pilot projects run, including a pilot project on Beijing opera in Beijing. The deepening of health and sanitation system reform and restructuring of the health and sanitation work order should continue to be linked, reform-associated measures perfected, and plans, primarily of a preventive nature, diligently implemented. Emphasis in physical education work should continue to be on mass physical education campaigns that have as their goal improving the people's physical condition. In athletic education, the four level training system should be further perfected and linked closely to the educational system. Simultaneous with state running of physical education should be continued mobilization of society to run physical education, proceeding from realities for a rational pattern of activities, and concentrating strength on doing a good job on outstanding projects.

We have learned from practice that in order to ensure the deepening of reform the following issues must be given attention.

**First, it is necessary both to understand the necessity for reform, and also to understand its long-term, complex, and arduous nature.** Reform is the fundamental way to "realize the four modernizations and to make China prosper." Without persistent reform, our nation and our people have no hope, and it will be difficult to demonstrate the superiority of socialism. This truth has been proven in 10 years of practice in reform, and has been accepted by the masses in their hundreds of millions. Nevertheless, one must also realize that we are now in the primary stage of socialism, that our population is

huge, our resources insufficient, and the level of development of productivity very low. We have also been hamstrung for a long time by an old highly centralized and closed off system. Carrying out reform under these circumstances, and developing a planned commodity economy cannot be done in a single step. Inevitably there are various difficulties, and risks to be taken in a fairly long process. Reform is also an innovative undertaking for which there are no ready-made models nor successful experiences by predecessors to serve as guides. In the process of exploring, the occurrence of various setbacks and mistakes is unavoidable. One must be both unswerving and not too impatient for success in carrying out reform. To expect that reform will be smooth sailing, that no problems will arise, and that there are no risks is to be unrealistic.

**Second, a policy of comprehensive planning and completeness must be adhered to.** The interdependence and the mutual restrictiveness of all aspects of the economic systems are close and organically inherent relationships. Whenever we disturbed an aspect or certain fields of the old system, frequently the whole corpus would be affected, and sometimes a certain amount of turmoil would ensue. This required keeping a general watch on the whole situation and considering carefully when formulating reform plans. In executing reform measures in a certain area, attendant associated reforms had to be fully considered. It was necessary to take advantage of reform opportunities and tactics, not only attending to each and every aspect of a matter and seeking completeness, but not daring to try advance reforms in some important areas. Nor was it possible to act impetuously, or go plunging ahead alone ignoring the completeness and the chain nature of reforms. Today, our reforms have already reached the deep down contradictions in the old system, and it is particularly necessary to pay close attention to the completeness of all reforms.

**Third, the basic work methods of proceeding from realities, investigating and studying, concentrating on work at selected units at each level, drawing experience from selected units to guide overall work, doing things by stages and in groups, and gradually expanding must be maintained. There can be no headlong rush into action.** Pilot projects for each reform have to be run first, and leaders must personally concentrate on work at selected units. Insofar as possible, units selected for pilot projects must be representative. Not only should advanced ones be selected, backward ones should be selected too. Both successful experiences with pilot projects and lessons learned from failures should be conscientiously summarized. The experiences gain should be promptly promoted by stages and in groups. Reforms of an experimental nature should be both actively supported and should not be lightly promoted. Reforms demonstrated effective in practice should be courageously upheld and actively promoted, and they should be developed and perfected in practice. There should positively be no wavering or backtracking because of some shortcomings or various controversies from time to time. Only in this way can mistakes be reduced and repetition be avoided.

**Fourth, propaganda and public opinion work must be enhanced, the broad masses mobilized to give warm support to reform and actively participate in reform.** The masses are the mainstay in reform. No reforms can succeed without the support and participation of the masses. Propaganda can strengthen the broad masses' sense of responsibility as masters in their own house so that they do not just jointly accept the benefits of reform, but also jointly shoulder the risks of reform or even make necessary sacrifices for reform. This is the only way to strengthen further ability to accept reform. Reform achievements should be told to the masses at once to enable the people to see the bright prospects. The masses should also be told about the difficulties and the problems that reform faces to enable the government and the masses to help each other as people in the same boat, and to jointly overcome difficulties. So long as we arouse the masses and stimulate the enthusiasm of the masses, there is no difficulty that cannot be overcome.

We have numerous favorable conditions for reform. First of all, the correctness of decisions and the great determination of the CPC Central Committee and the State Council about improving the economic environment and rectifying the economic order, and the full deepening of reform are fundamental guarantees for carrying forward reform. Second, we possess fairly plentiful economic strength as a material basis for the deepening of reform. Next, we have accumulated experiences in 10 years of reforms, which is a tremendous spiritual wealth for adhering to reform. Finally, and most fundamentally, the masses have already derived material benefits from reform. The masses support reform and take part in reform, and this is a powerful force for winning victory in reform. So long as we use these favorable conditions to the full, we will be able to fulfill the mission of improving the economic environment and rectifying the economic order, and the all-around deepening of reform, steadily advancing the capital city's socialist modernization.

#### **IV. Vigorous Impetus to the Development of Education and Science and Technology in the Course of Improving the Economic Environment and Rectifying the Economic Order**

The 13th CPC Congress stressed first place for the development of education, economic construction thereby moving to a track of relying on scientific and technical progress and a rise in the quality of workers. Vigorous impetus to the development of education and science and technology is an extremely important and very, very urgent historical task.

**In undertakings of vital and lasting importance, education is basic. In a fundamental sense, the development of science and technology, the prosperity of the economy, and even all social progress depend on improvement in the quality of labor and the training of large numbers of qualified people.** Poverty is not socialism; much less so is

ignorance socialism, nor can it build socialism. Increasing social productivity, and strengthening the building of socialist material civilization and spiritual civilization must have education as their guide, and improvement of the quality of the citizenry as their foundation. If we want to hold initiative amidst increasing international competition, and in the face of the challenge of a new world technological revolution, rapid development of education offers the fundamental way. International competition is, in the final analysis, competition in technology and human talent; it is competition in the quality of peoples. Whoever respects education and is willing to spend money on education has the prospect of seizing the initiative in future international competition. Therefore, priority development of education is a strategic requirement for "realizing the four modernizations and making China prosper." It is our basic long-term national policy.

Beijing is China's political and cultural center, and it is also an important base for the training of talent. Energetic development of the capital's educational endeavors is urgently needed for the building of the capital city, and for improving the mental and cultural quality, and the ethical standards of the people of the capital city. Government at all levels has to orient itself toward modernization, toward the world, and toward the future with regard to education. It must address education in the spirit of having a high degree of responsibility to the country and the Chinese people, and it must provide all conditions that can be provided to quiet worries and settle difficulties for education, and exert maximum efforts for the development of educational endeavors. Failure to do so is most shortsighted and a most serious dereliction of duty.

Accompanying the steady rise in understanding of the importance of education in recent years, as a result of the joint efforts of the broad masses of workers engaged in education, the Beijing Municipal CPC Committee and the municipal government have done much work in the development of education. They have increased appropriations year after year to ensure the "two increases." They have mobilized social forces to provide vigorous material support to education. Every year since 1985, they have run 10 live projects for education, and they have drawn up regulations pertaining to schools for leaders at all levels calling for "esteem of teachers and respect for education," and understanding of educational realities. In order to ameliorate middle and primary school teachers' difficulties in finding housing, they built 500,000 square meters of dormitories for educational workers in the close-in suburbs, and they plan to build another 200,000 square meters for those in the far out suburbs. These efforts have gone a long way toward improving teaching conditions and living conditions for teaching staff and workers. In educational reform, 9 years of compulsory education has been instituted; authority for the operation of schools has been delegated, schools being run through many channels and in many different ways. The structure of higher and

intermediate education has been readjusted, vocational and technical education developed. Much effort was devoted to the development of adult education, and after hours cultural and technical education. In some middle schools, primary schools, and kindergartens, pilot projects were run on reform on the internal administrative system, definite achievements being made. Nevertheless, one must clearly understand that education still fails seriously in meeting the needs of the capital's socialist modernization. The development of education faces numerous serious difficulties and problems, some of the most conspicuous of which are as follows: There is still insufficient understanding of the importance of education. Some leading cadres still fail to understand deeply that this is a time when education simply must be given serious attention; consequently, insufficiently vigorous action is taken. Second funds for education are still in short supply. Despite increases each year at a rate that far surpasses the rate of increase in government financial revenues, because of the "backlog" of needs, and the fairly great rise in prices, an extremely sharp contradiction continues between supply and demand for educational funds. Third, teacher's salaries are overly low; there is a lack of continuity in the teaching corps, and among middle and primary school teachers, in particular, average earnings are lower than the average for society as a whole. As a result, outstanding middle school students are not interested in sitting for examinations to enter teaching colleges, and outstandingly talented people are not interested in going into teaching. This has an extremely adverse affect on the development of educational endeavors. Fourth is the new "theory of the uselessness of study," which has grown and spread. Each year a certain number of students required to undergo compulsory education drop out, and disgust with education has also developed among college undergraduate and graduate students. Fifth is the weakness of ideological and ethical education. Administration is lax in some schools, classrooms are disorderly, and there is a great lack of school spirit and school discipline. Sixth, the location of schools and the structure of education are not entirely rational. There is redundancy in facilities for specialized fields of study, and both the content of education and educational methods are divorced from reality in varying degrees. Results from schooling are poor, and teacher quality should also be further improved. These problems must be given much attention.

**A. A psychology that the development of education is a basic national policy has to be made a part of all work.** Government at all levels, and all trades and industries should place education on their important daily agendas, and devote firm attention to it. Particular attention should be directed today toward changing ideas lacking in strategic foresight that fail to give sufficiently serious attention to education, correctly handling the correlation among development of the economy, the building of spiritual civilization, and the vigorous development of education. All possible means must be used to find funds and material resources for education. During the period

of improving the economic environment and rectifying the economic order, the development of educational endeavors must be guaranteed. Furthermore, these requirements must be made an important component in rating the accomplishments of government leadership groups and principal persons in charge at all levels of government.

**B. Continued support for the system by which important leaders at all levels keep in touch with one or two schools.** Leading cadres should regularly visit schools, and should particularly dig into matters at schools where conditions are poor. They should listen directly to the complaints and suggestions of teachers and students. In this way, not only can schools be helped to quiet worries and settle difficulties, but leading cadres will also gather a better understanding of education, study education, and be more concerned about education, so that when they have to make decisions about education in the course of their work, they will be better able to speak a common language and be more in tune with realities in the development of education. Leaders at all levels from the city government to street organizations and rural villages should continue to take part in school opening ceremonies on 1 September. On this day, schools, government institutions, and public agencies throughout the city should display the national flag.

**C. Continued increase in national appropriation of funds for education.** Funding for education during 1989 is to be 20 percent of the city's budgeted expenditures, up from the 18.1 percent of 1988. Educational funds for all districts and counties are to be maintained at or be higher than the present percentage. Increases in township financial revenues are to be spent mostly for the development of education.

**D. A change from sole reliance on state allocation of funds to the raising of funds for education through multiple channels.** Experiences during the past several years demonstrate this to be an important way in which to solve the serious shortage of funds for education. The current structure of educational funds in Beijing is as follows: 88.2 percent state allocated; 10.9 percent invested by society, and 0.9 percent from individuals. In the future, educational surcharges and miscellaneous expenses for non-compulsory education students should be suitably increased. Entrepreneurial units and people from all walks of life are to be encouraged to contribute funds to help education, or to pool funds to run schools, a Beijing Municipal People's Education Fund being established. School-operated businesses should be further fostered and supported, and financial assistance and contributions to the capital city's educational endeavors from all quarters will be welcomed. Educational departments and schools are to use funds sensibly, paying attention to the improvement of benefits. Diversion to other purposes of educational funds is to be strictly punished and publicized.

**E. Efforts to increase teachers' wages and emoluments, and social position.** In June 1988, reform of the administrative system in middle schools, primary schools, and kindergartens was begun during which an effective way of solving this problem was proposed. The municipal government decided to raise 50 million yuan during 1988, for use in reforming wages in middle and primary schools, the average earnings of educational staff and workers in middle and primary schools throughout the city thereby reaching the average for staff members and workers in organizations under ownership of the whole people. The pace of reform of the internal administrative system of institutions of higher education should also be hastened once pilot projects have been run. Simultaneous with optimization of the educational staff member and worker corps should be a gradual increase in the incomes of professors in institutions of higher education, and a widening of pay grades to avoid egalitarianism.

Intensified propagandizing of public opinion to promote throughout society an esteem for teachers and respect for education. During Teacher's Day in 1989, some advanced educational units and individuals should be selected for commendation, and some leading cadres in cities, districts and counties, townships and towns, and enterprises who have produced outstanding results in education should be praised, their work being an important component of future Teacher's Day activities, this kind of thing being systematized.

**F. Real improvement in teachers' ideological and professional quality.** Teachers are the key in educational programs of lasting importance. The building of a teaching corps imbued with high moral qualities, professional excellence, and skilled in imparting knowledge and educating people is a fundamental guarantee for the healthy development of education. Government at all levels, educational administrative units, and schools should take vigorous action to place the elevation of teacher ideological and professional quality in a prominent place, so that those who educate others are themselves first educated. Particular stress should be laid on teacher education in morality and being a model in order to resist the effects of unhealthy tendencies in society. A good job should be done in running various kinds of teachers colleges, and the professional training of teachers improved through the operation of various professional training courses, and advanced training schools to improve teacher's qualifications, teachers thereby truly being able to carry out the lofty mission of teaching others.

In order to help train teaching resources and encourage young people to go into teaching, the pay and emoluments of students in teaching colleges is to be increased during 1989.

**G. Ensuring educational capital construction projects and the building of homes for educational staff members and workers.** The key to educational capital construction projects is priority arrangements for land that can be

used and lining up construction. Renovation and new construction of primary school buildings should continue to be given attention to ensure that primary schools will not have to go on two shifts during 1989. Despite the situation of large scale cutbacks in the scale of investment in capital construction, not only are there no cutbacks in the building of quarters for educational staff members and workers, but they are to be completed according to plan. The problem of dangerous school housing is to be completely solved during 1989.

**H. Ethical education to be given first place in school work.** All around education should be given that includes ethical education, mental education, physical education, and esthetic education, ethical education to be given first place, with suitable development of labor education as well. The middle and primary school students of today will be the fresh troops that pioneer great events during the 21st century. Their healthy development has a bearing on the decline or fall of the Chinese people. The school spirit, and school discipline of middle and primary schools, and the moral qualities of students should be an important standard for evaluating the quality of school instruction. Institutions of higher education produce talented people in specialized fields. The main role of these institutions is to turn students into builders with a high socialist consciousness, high moral character, and scientific and cultural knowledge, who are able to devote themselves to making China flourish. Ethical education in institutions of higher education, from objectives to content and methods, should be further reformed. Emphasis should be on practice to overcome the tendency for theories to be divorced from reality. As a result of weak moral education and a relaxation of control over school spirit and school discipline, bad consequences have ensued at some schools, which should be energetically improved.

**I. Continued mobilization of all society to support education.** The development of education, and the healthy growth of students' bodies and minds cannot occur without the concern and support of society as a whole. Newspaper publishing, broadcasting and cinema, literature and art, and cultural units should provide students with a beneficial spiritual diet. Efforts should be made to develop educational networks outside of school. Factories and mines, rural villages, street associations, businesses, and the armed forces should provide places and conditions for educational training, social practice, and military training. Museums and famous historical sites should be open to students free of charge or at half price, and schools should plan and organize diligently to achieve this. Government at all levels should continue to adhere to the running of several real projects for education each year, and parents should take the initiative in cooperating with schools in the education of their sons and daughters for the gradual creation of a benign cycle in which schools receive support from all quarters, teachers are esteemed throughout society, and students are the concern of the whole society.

**J. Strong attention to educational reform.** The most basic way to invigorate education is through reform. External conditions for improving education are important, but the internal educational system and mechanism must also be reformed. The "Compulsory Education Law of the People's Republic of China" must continue to be implemented so that by 1990 a junior middle school education is available in all cities and towns, and in most rural villages. In basic education, a policy of all-around development and improvement of student quality is to be instituted. The structure of secondary education should continue to be readjusted, and vocational education developed, with particular attention to the development of rural vocational and technical education. Institutions of higher education under municipal jurisdiction should strive to adapt to capital city requirements in economic construction and social development in the capital city, controlling the scale, adjusting patterns and the structure of specialized fields, and continuing to deepen reforms in the enrollment of students and the assignment of graduates, vigorously training up people in various specialties, and stressing practicality. They should summarize experiences, perfect reform measures, and actively and firmly expand the scope of reforms in groups and in stages. Institutions of higher education, adult education academies and schools, intermediate vocational schools, and intermediate technical schools should also run pilot projects for the reform of their internal administrative systems as their individual circumstances warrant. In addition to further instituting level-by-level administration, and township-run education, rural areas should actively but prudently advance reform of the internal personnel, labor, and assignment systems within schools. In addition, they should actively expand reform to teaching content and teaching methods.

Simultaneous with doing a good job in running various kinds of specialized schools, full attention should be given to adult education. All trades and industries, all departments, and all units should take firm hold of training and educating personnel under their jurisdiction, the emphasis being on on-the-job training. They should use various educational methods to make education in ideological work style and professional ethics a part of educational plans and the make-up of instruction for all-around improvement in the quality of laborers.

We genuinely believe that improvement of the economic environment and rectification of the economic order, and readjustment of the economic structure can create a more favorable climate for the development of education. Given the support of all trade industries throughout society, with the steady deepening of reform, a new situation will be created for education itself.

**Human talent is the foundation for realizing the four modernizations, and scientific and technical progress is the key. Modern science and technology, and modern scientific management are decisive elements in vigorous development of the economy.** In economic readjustment,

determined carrying out of economic construction requires reliance on science and technology. Scientific and technical work must be oriented toward the capital city's economic construction, and toward urban building and urban administrative plans. Leaders at all levels, particularly leaders in the economic sector, have to firmly inculcate concepts of reliance on scientific and technical progress, make fullest use of the scientific and technical advantages that the capital city possesses, and take realistic actions to set the stage for the application to production of scientific and technical achievements. "Industrial invigoration plans," rural "spark plans," and "urban construction and urban administration scientific and technical development plans" should continue to be carried out conscientiously, and a number of new techniques and new products of high practical value and outstanding effectiveness should be studied and spread.

Following State Council approval of the establishment of the Beijing Municipal New Technology Industrial Development Experimental Zone, the superiority of reliance on science and technology, and gradual substantial increases in economic returns, as well as the vitality of the new administrative system have begun to appear. Further planning and construction will be necessary. The municipal government-formulated "torch plan" is a strategic plan for building and developing new technology and high technology industries. The experimental zone is the main arena for carrying out this plan. It should be depended upon, and efforts made to promote the commercialization and industrialization of achievements in high technology, and gradually to develop an externally oriented economy.

Continued attention to the reform and construction of scientific and technical research organizations. This entails planned improvement of intermediate experimental conditions in a number of key scientific research academies and institutes, increasing their ability to make development decisions themselves, and accumulating reserve strength for scientific research and development, as well as to use various means of entering economic fields, more effectively serving technical progress in trades and industries. Enterprises, particularly large and medium size enterprises, should set up their own technical development apparatus, and take the initiative in attracting technical forces from scientific and technical units, and from institutions of higher education to enter them in order to increase their ability to digest and assimilate advanced technology and develop new products. Efforts should be made to increase investment in science and technology. In addition to the municipal treasury's continued increase in expenditures for scientific research to provide science and technology with key support at a time when banks are readjusting the credit structure, all departments and all units should also tap potential for financial and material resources to improve conditions for scientific and technical development.

The key to scientific and technical progress lies in skilled people. In the course of deepening science and technology system reform during 1989, the competition mechanism should be further introduced, building of a specialist corps strengthened, full use made of the role of grassroots level science and technology personnel, networks for the popularization of science developed at all levels, scientific knowledge actively popularized, applied technology spread, and permanent technical cadres trained. A Beijing municipal natural sciences fund and a social sciences fund should be established to provide outstanding scientific and technical personnel opportunities to put their talents to good use, and to provide young scientific and technical personnel with a fine growth climate, thereby establishing a science and technology corps imbued with a spirit of making contributions, and the ability to invent and create in order to meet needs in the capital city's economic and social development. Scientific and technical forces throughout the city should be mobilized and organized to carry forward a spirit of "personal dedication, innovation, realism, and cooperation," and launch scientific and technical contributions campaigns to greet the 40th anniversary of the founding of the people's republic.

#### **V. Use the Favorable Opportunity That Improving the Economic Environment and Rectifying the Economic Order Provide To Strengthen Population Control and Population Channeling in the Capital City**

Control of population growth, and planned parenthood are basic national policies in China. The population issue is a major strategic problem affecting the situation as a whole with regard to the modernization of the capital city. In recent years, government at all levels and departments concerned have done a large amount of work in controlling and channeling population, scoring definite results. Comparison of 1988 with 1979 shows a rise in the planned parenthood rate from 83.96 to 95.3 percent, an increase in the single child rate from 63.3 to 89.77 percent, and a decline in the population migration rate of increase from 13.4 per 1,000 to 4.02 per 1,000. This is an important contribution to the capital city made by population control units, leading comrades on the front lines in townships, villages, street, residents committees, and individual units, and it is particularly the result of the arduous efforts of the whole body of planned parenthood workers.

Nevertheless, as a result of failure to take sufficiently firm hold of matters in several regards, control is still not sufficiently strict. In addition, because of the too large a population base figure, and the differences that still exist between the city and the countryside, and one district and another, the trend toward swelling of the capital city's population is a long way from being contained, and the situation is extremely serious.

**A. Trend toward sustained population growth.** Figured in terms of current zoning, the whole city's population in 1949 was 4.14 million. By 1988, it had broken the 10

million mark to reach 10,012,000. The net increase over a 39 year period was more than 5.87 million including a natural increase of 4.4 million, and an increase through migration from elsewhere of 1.47 million. We are currently in the third birth peak since founding of the people's republic. Over the next 6 years, approximately 1.1 million women per year will enter the 20 to 29 year old peak fecundity period, so there is bound to be a substantial increase in births. Particularly noteworthy is that in rural villages early marriage, early childbearing, childbearing in excess of quota, and competition in giving birth has risen its head to pose pressing demands on planned parenthood work. A look at population increase resulting from migration from elsewhere shows that despite control of movement into Beijing during the past 5 years, within a fairly short period of time, the number of people who move into the city will be greater than the number that move out. If this situation continues, by the end of the 20th century, the city's permanent population will be close to 12 million, and by the year 2020 it may be more than 14 million.

The situation in the growth of the transient population is worse. In 1982, the number of such people averaged 300,000 daily; by 1988, it reached 1.31 million, a 4.4-fold increase in a 7 year period. Their period of stay in Beijing has also steadily lengthened, the population temporarily residing in Beijing registered by household registration authorities numbering 1.01 million, some people living in Beijing for long periods.

**B. Too great a concentration of population in the central city.** Permanent residents of the city's 750 square kilometer suburban area number 5.4 million versus the 4 million called for in the urban construction master plan, an excess of 1.4 million. When the transient population is added to this, the actual population burden is approximately 6.3 million. It is estimated that by 2000 the number of permanent residents may increase to 6.5 million, the actual population burden reaching approximately 8.5 million.

**C. Important changes in the population age structure.** First of all, there has been a rapid increase in the number of young people. In 1988, there were approximately 2.02 million, and by 1995 the number will increase to 2.48 million. For some time to come, solving the problem of schooling for primary school and junior middle school students will be a tremendous task to be faced. Second is a dramatic increase in the old age population. In 1988, the 60 years old or older population numbered 1.07 million, 10.6 percent of the city's total population. Beijing has begun to become a city of old people. Forecasts call for an old age population of 1.61 million by 2000, or more than 14 percent of the city's total. Increase in the old age population poses a series of special demands on economic and social development. We must adjust to these changes, planning for them at once. Third, the working age population has reached another high peak. Children born during Beijing's second population peak since liberation are continuing to

reach working age, and will number approximately 150,000 people in 1989. The employment problem has become prominent once again.

The rapid increase in population, its overconcentration, and changes in the age structure produce a series of difficult problems for the economy and society of the capital city. During the past several years, Beijing has stood in the forefront of cities of the world in terms of the speed of growth of total economic development indicators, yet the per capita economic increase has not been marked. Very great development has occurred in various kinds of construction having a close bearing on the daily life of the people; nevertheless, it is still insufficient to satisfy all aspects of social demand. During 1988, the city's permanent population increased by 132,000. At an annual per capita consumption rate of 1,450 yuan, this increase requires a total of 190 million yuan, which is equal to 42 percent of the 450 million yuan increase in city revenues. At a grain consumption rate of 200 jin per person, 2,640 tons per year will be required, which is 34.7 percent of the annual increase in grain consumption of the city's suburbs. At a rate of 13 square meters per person of housing (building area), an additional 1.7 million square meters of housing has to be built. This is approximately 28.6 percent of the total housing area completed during 1988. Since one year's population increase occasions so many problems, if the increase goes on year after year, where will it lead? Beijing already faced problems in a water shortage, an electric power shortage, a gas shortage, a transportation shortage, and environmental pollution. The overly rapid population increase has intensified these difficulties. We have used every means to expand water processing plants in recent years, but the city is still unable to supply sufficient water. During peak use periods, there is still a 150,000 to 200,000 ton shortage of water capacity. Roads and transportation have increased very rapidly, yet it is difficult to board a vehicle in the urban area, and travel difficulties remain rather serious. In particular, the load that railroad station and airport facilities carry greatly exceeds designed capacity. The pressure on social services such as education, cultural endeavors, health and sanitation services, and physical education is getting worse and worse. We must take resolute action for rigorous control and active channeling to ensure that the capital city's population increase does not exceed what the city can bear. The current improvement of the economic environment and rectification of the economic order create favorable conditions for control and channeling of the population. We should not miss this opportunity to do something.

**First, the natural increase in population in the city and the countryside must continue to be strictly controlled, and current planned parenthood policies must be unswervingly carried out.** It is necessary to continue to urge and encourage only one child per married couple, and to urge and encourage late marriage, late childbirth, and fine birth and upbringing. Planned parenthood work organizations at all levels are to be steadily perfected, and

efforts made to meet the various requirements set forth in planned parenthood goal control contract responsibility systems. We must have districts and counties in the city and the countryside where there are no births from multiple pregnancies, and townships and villages in rural areas where there are no unplanned births. Government at all levels must be extremely attentive to planned parenthood work, make it a part of plan, and employ it as one element in the evaluation of the political achievements of governments and leaders at all levels. Comrades who take part in planned parenthood work are to be given vigorous support, solicitude, and help, and effective means for carrying out planned parenthood work under new circumstances should be constantly explored.

**Second is strict control over population increase through migration in accordance with a policy of simultaneous control and channeling.** The annual plan on population migration must be strictly enforced, the total number of people entering Beijing under the control plan only being allowed to decrease and never being allowed to increase. Administrative restrictions should be increased and a policy adhered to of not permitting organized or group migration into Beijing. A firm hand should be taken in the drawing up of economic methods to curb population movement into the city, including population accommodation fees and charges to enter the city, which should be put into effect as rapidly as possible following approval by higher authority. In addition, policies regarding the outflow of population should also be drawn up to encourage people to move into medium-size and small cities, and fringe areas.

**Third is the formulation of control methods for the transient population on the basis of the principle of combining control, channeling, management, and service.** Conscientious inventorying of the construction corps should be done for the purpose of actively mobilizing peasant contracting units to return to production in the countryside in stages and in groups as different circumstances warrant. In addition, close attention should be focused on planned parenthood control problems among the transient population in Beijing. The capital city positively cannot become a haven in which the transient population exceeds planned parenthood quotas.

**Fourth is to guide the movement of population from center city outward, and to control the flow into the urban area of population from the suburbs.** In accordance with requirements of the capital city's urban planning together with urban renewal, the building of satellite cities and towns, and readjustment of the industrial structure and the distribution of industry, population has to be dispersed from the central city in a planned way. Policies should be drawn up and perfected to encourage city dwellers to move to the suburbs, to distant areas, or to areas that are to be developed. Sale prices and rents for houses in the suburbs are lower than in the city, and efforts should be made to develop country and township education, and to raise the quality of education so that people will want to

go to the suburbs to work and live. Township enterprises and suburban recreational facilities should be developed, and the modernization of rural villages speeded up, peasants who leave the soil thereby being able to take up other occupations to achieve "leaving the soil without leaving the village" for a great reduction in the flow of population from the suburbs to the city.

**Fifth is further strengthening of population control propaganda, and study and perfection of pertinent laws.** The population problem should be made a major component of situational education during 1989, enabling the masses both to appreciate the achievements that have been made in population work, and also to realize the seriousness of population increases, strengthen population concepts and per capita understanding, and improve awareness about planned parenthood and fine births and fine upbringing. In addition, more publicity should be given and more people given training in scientific information about planned parenthood. Birth control measures should also be put in place. Planned parenthood control regulations and detailed rules for their implementation should be drawn up as soon as possible. Planned parenthood personnel should learn the law, apply the law, and spread information about the law among the masses, gradually bring planned parenthood work within the purview of the legal system.

#### **VI. Vigorous Intensification of the Building of Socialist Spiritual Civilization**

**Simultaneous with the intensification of the building of socialist material civilization should be a vigorous intensification of the building of socialist spiritual civilization. This is a long-term strategic policy for building a distinctively Chinese brand of socialism, and it is an important matter bearing on the success or failure of socialism.**

"Realization of the four modernizations and making China prosper" are battle goals of the CPC at the present stage for coalescing and unifying the strength of all nationalities. They are also our spiritual supports. Propaganda and education should be used to guide the broad masses of cadres and people to make "realization of the four modernizations and making China prosper" their personal mission, to go all out in making the country strong, to move ahead, and to link closely their individual destiny with the destiny of the nation.

**Pervasively develop education to uphold the four basic principles among the people throughout the city, carry out education in patriotism, internationalism, and collectivism, conduct education in maintenance of the fine tradition of hard work, thrift, and arduous struggle, and inculcate self-regard, self-esteem, self-reliance, and no self-deprecation, but rather friendship and respect, in relations with foreigners. In addition, is regular education in national defense, love for soldiers who are the sons and brothers of the people, and increased awareness of national defense among citizens. Now is the time to**

begin to build fine ethics, fine practices, and superior service, and to beautify the environment, doing a solid job at each stage in key areas, and continuing for a long time.

##### **A. Establishment of a Fine Social Ethic, and Building of a Social Atmosphere of Unity and Harmony**

A fine social ethic reflects a people's fine quality. The most fundamental thing in intensified building of spiritual civilization is to vigorously raise the scientific and cultural level of the whole people. Efforts should now be made to take firmly in hand work in five regards as follows: First is long-term education in arduous struggle. China is still in the primary stage of socialism. It has a large population, little accumulated wealth, and its economy and education are relatively backward. This situation must be changed in a fundamental way. Catching up with developed countries will require an unremitting struggle on the part of many generations. Leading cadres at all levels should be a personal example, resolutely opposing and having nothing to do with any prodigal life style of waste and extravagance. They should establish a mentality of long-term arduous struggle, hard work and thrift in building the nation, and do everything in an industrious and spartan way.

Second is advocacy of a spirit of contribution. The development of society, and mankind's advance is the result of generation after generation having made contributions. The "realization of the four modernizations and making China prosper" even more requires that we struggle and contribute. Under current circumstances multiple interests, it is necessary both to rely on reform for the readjustment of distribution relationships and the interest structure, making them just and fair in time, and it is also necessary for every district, every unit, and every citizen to bear in mind the overall situation, understand the totality, and correctly handle the correlation among the interests of the country, the collective, and individuals, consciously guarding against egotistically placing money above everything, and the tendency toward small groupism. It is necessary to carry forward a giving spirit of courageously sacrificing the partial interest and individual interests for the interests of the country and the people.

Third is pervasive development of education in civilized manners. This includes continuation in urban and rural areas of the city of the pervasive development of a multifaceted campaign of "being a civilized urbanite, founding civilized units, and building a civilized city," opposing and having nothing to do with coarse, barbarous, and uncivilized behavior, and ignorant and backward customs and habits. It entails inculcation of a feeling of honor and a sense of responsibility in being a citizen of the capital city, and an intensified awareness of the capital city. A good job of education in civilized behavior must begin in infancy, dovetailing rudimentary education in ethics of preschool age children with moral

training in primary and secondary school, and ideological and political training in college, closing linking school education, social education, and family education so that young people will speak in a civilized way from childhood, nurture civilized habits, and build a civilized way of life to become a new generation that understands manners and has attainments.

Fourth is the building and development of fine interpersonal relationships. Interpersonal relationships in a socialist society should be relationships of mutual respect and mutual assistance, mutual understanding and mutual accommodation, unity and love. Being ready to take up the cudgels for a just cause should be encouraged, but attitudes and behavior of forgetting righteousness when a profit is to be made, hurting others to benefit oneself, and failing to help others in mortal danger are to be spurned. An attitude of "beginning with me and beginning now" should be encouraged. If everyone exerts himself or herself to the utmost, that will become the common practice.

Fifth is to make active use of the role of literature and the arts, newspaper publishing, and broadcasting and cinema in the building of spiritual civilization. These sectors have the sacred mission of improving people's ideological and moral level, and their scientific and cultural attributes, enriching people's spiritual life, and encouraging people to struggle to "realize the four modernizations and make China prosper." The spiritual products of a healthy creative style, and an ideological level and artistic level that are fairly high should be encouraged, but pictures and publications that are filled with lewdness and brigandage, that corrode ideology, and that inspire crime are to be suppressed. Cultural markets should be better policed to create a fine social, cultural, and public opinion climate for improving the economic environment and rectifying the economic order.

#### **B. Strive To Raise the Level of Service, and Implant a Spirit of Respect for One's Vocation and Fondness for the Masses**

Service work in Beijing has improved to a certain extent in recent years, but it is far from being what it should be, and very ill-suited to the capital city's position. During 1989 and 1990, emphasis should be placed on improving the five trades of business and the service trades, public transportation, municipal government public utilities, medical care and sanitation, and tourism throughout the city. Improvement of service attitude, increase in service quality, and realization of superior quality service requires "proceeding on all four fronts," adhering to reform, education, training, and control. First is the use of reform to make enterprise and staff member and worker service work truly a part of operating responsibility systems and optimized labor groups, linking the quality of service work to the development of the enterprise and the personal benefit of staff members and workers. Management by objective should be instituted

for service work, measures for making service work scientific diligently studied and implemented. Second is to tackle education to nurture a socialist work ethic. Every trade and profession should have as its goal "to serve the people and to be responsible to the people," establishing and promoting an individual work ethic model, and establishing a spirit of respect for one's vocation and fondness for the masses. Factories have factory spirit, and shops have shop spirit, and all trades and industries, particularly the five major service trades should strive to create their own enterprise culture and group culture, and shape their own distinctive service style. Third is improvement of training to raise the quality of staff members and workers. The main component in this training should be a vocational ethic for the particular trade, service standards, and vocational technical ability and knowledge. In the hiring of staff members and workers, a system must be rigorously followed of "training first, employment second." This is an important link in improving the level of service. Fourth is strict requirements, strengthening of management, pursuit of standardized service, and increased supervision and examination, with rewards for excellence and penalties for shoddiness.

The key to improving service work lies in implementation, not formalism such as is expressed in doing a job superficially, writing specifications and standards on paper, posting them on walls, and shouting them from the mouth, but not taking them to heart or carrying them into action.

#### **C. Improving the Sanitary and Cleanly Appearance of the City, Striving To Make the Capital a Tidy, Pretty, and Orderly Civilized City**

During 1989 and 1990, the whole city is to focus on cleaning up 100 main streets, 10 key areas, and nine combination city and countryside areas. In the 100 main streets, the emphasis is to be on the "three rundown," namely rundown store fronts, rundown signs, and rundown sheds; on the cleaning up of the "five disorders," namely disorderly private construction, disorderly setting up of vendor's stands, disorderly parking, disorderly dumping of trash, and disorderly movement of pedestrians and bicycles. In the 10 key areas, the emphasis is to be on straightening out the appearance of vendors' stands in markets, and implementing the "two forbiddens" (forbidden to spit anywhere, and forbidden to dump trash), and "taking care of three things in front of one's door" (taking care of sanitation, taking care of greening, and taking care of orderliness), maintaining cleanliness at all times. In the nine combination countryside and city areas, the emphasis is on clearing away accumulated refuse, doing a good job of greening and beautification, and improving regular care. Straightening out and cleaning up is to make these main streets and areas clean, neat, and beautiful, to reduce pollution, and to make traffic flow in an orderly and safe fashion. Vigorous action should be taken throughout the city to increase health and disease prevention propaganda and

associated sanitation work, to launch a patriotic health campaign, to further lower the incidence of disease, to increase cure rates, and to increase the capital's sense of health and safety.

**As the capital city, it should become the "best area" in the building of spiritual civilization. This is a historical necessity, and it is also the expectation of people of all nationalities throughout the country.** The Beijing Municipal Leadership Team for Tackling the Building of Spiritual Civilization in a Comprehensive Way has been established to strengthen leadership in the building of spiritual civilization in the capital city. Each district and county is to establish corresponding leadership organizations. The municipal government has decided to establish "Beijing Citizens Honor Awards" to decorate Beijing citizens and officers and men of military units stationed in Beijing who have produced outstanding achievements in the building of spiritual civilization by way of rallying the people throughout the city to contribute energies to the building of spiritual civilization in the capital city.

This year is the 40th anniversary of the founding of the People's Republic of China, and some important international conferences will also be held in Beijing. The ethical level and the spiritual demeanor of the people of Beijing will be displayed and put to the test during this series of important international and domestic activities. We are determined to make the 40th national anniversary a solemn, enthusiastic, thrifty, and inspiring holiday in accordance with instructions from the CPC Central Committee and the State Council. Of special interest is the world-arresting 11th Asian Games to be held in Beijing in September 1990. Running the Asian Games is a glorious yet daunting task that the CPC Central Committee, the State Council, and the people of the whole country have given us. The Asian Games will not only improve physical education in China, and promote friendship between the people of China and the people of other countries in Asia, but will also demonstrate China's achievements in 10 years of reform and opening to the outside world. At the same time, they will also be an extremely great impetus for and test of Beijing's economic development, scientific and technical level, and the appearance and environment of the city, and particularly for the building of spiritual civilization and service work in all regards. Only slightly more than 500 days remain until the opening of the Asian Games, and all the work related to them is being done urgently. For the building of spiritual civilization, in particular, requirements are fairly high and there is a fairly long way to go, requiring vigorous intensification of efforts. We are deeply confident that with the support of the people of the whole country, and as a result of the efforts of the people of the whole city, we will not disappoint the great trust of the CPC Central Committee, the State Council, and the people of the whole country in doing a good job of running the Asian Games.

## VII. Strive To Create a Settled and Fine Social and Political Climate

Political stability and social tranquility are basic conditions for carrying out socialist modernization as well as reform and opening to the outside world. Improving the economic environment, rectifying the economic order, and completely deepened reform even more requires a settled, united, democratic, and harmonious social and political climate, and an efficient government organization. Thus, it is necessary to give vigorous impetus to the building of honest government, and the building of democracy and a legal system for further strengthening and completely rectifying social order.

**Strengthening the building of honest government is a political guarantee for government pursuit of construction and reform.** A dishonest and corrupt government must inevitably be divorced from the people, and will ultimately be spurned by the masses. In an overall sense, our government is honest, and an overwhelming majority of the people in the government conscientiously work in relatively clean circumstances. They are law-abiding, strongly self-disciplined, and are able to stand the test of reform and opening to the outside world. However, there are also a small number of people who cannot stand the test of reform and opening to the outside world, and enlivening of the economy. They abuse authority for private gain, or even engage in corruption and bribe taking, racketeering, and extortion. Although only a small number of people engage in such corrupt practices, this seriously damages relations between the government and the masses, damages the government's image and prestige, and impedes the smooth development of construction and reform. Serious attention must be given this situation, and it must be resolutely and effectively struggled against.

**In the building of honest government, one key is to concentrate energies on investigating and punishing criminal economic cases causing serious damage.** Currently, stress should be placed on the fight against corruption and bribe taking, meting out severe punishments to a number of criminal elements who have incurred the greatest popular indignation. Second is to make sure that cadres at all levels, particularly leading cadres, are honest in the performance of their official duties, strictly enforce the laws, serve the people, and administer education well in the capital, and also better supervise and control leading cadres. Third is to do a better job of system building. Affairs should be conducted openly and the masses kept informed. These are two major kinds of system building for maintaining government honesty. Experiences in the eastern part of the city of "an open system for handling affairs, publicizing results of dealings, and relying on supervision by the masses" should be actively spread to increase the transparency of government activities, the exercise of all authority thereby being placed under the limitations of the law and the system, and under the supervision of the

broad masses. Reports from the masses should be conscientiously checked and dealt with, each matter being carried out, and the exercise of democratic rights by the person reporting genuinely protected. Fourth is strengthening of supervisory systems. Currently, both the municipal and district and county governments have set up supervisory organizations, and each bureau in the municipal government should also set up supervisory organizations staffed with supervisory personnel. Streets, townships, and towns should also designate persons responsible for supervisory work. Supervisory units that enforce the law, including supervision at all levels, industrial and commercial administration and control, revenue, auditing, and public security units must enforce the law impartially, struggling resolutely and effectively against violations of the law and discipline. In addition, law enforcement units should do more in the way of self-building, improving the political quality and the professional law of working personnel. Law enforcement supervisory units must also accept supervision from the masses and units concerned. Government at all levels, the municipal government foremost, must be extremely sure to maintain its own honesty, and to use a fine political style to promote a turn for the better in the social atmosphere. The 2nd Session of the 7th NPC has already drawn up and passed, "Administrative Litigation Law of the People's Republic of China." Government workers at all levels should study it diligently and strictly abide by it.

Simultaneous with the building of clean government must be supervision and handling of violations of the law and discipline such as bureaucratism, failure to carry out orders, failure to obey proscriptions, neglect of duty, and dereliction of duty in order to increase work efficiency. We warmly welcome criticism and reports of government workers's violations of discipline and laws from delegates, democratic parties, people's organizations, and the broad masses of city residents. We will deal with them conscientiously.

**Strengthening of socialist democracy and the building of a legal system are important guarantees for the creation of a settled and fine socio-political climate, and smooth completion of tasks in improving the economic environment and rectifying the economic order.** While improving the economic environment and rectifying the economic order, socialist democracy should be further advanced, all socialist democratic systems should be established and perfected, and the democratic rights of the broad masses of people guaranteed. It is necessary to uphold and perfect the system of multi-party cooperation, and the political consultative system under leadership of the CPC, and to make full use of the role of democratic parties, patriots without party affiliation, and mass organizations in government participation and government deliberation, and in democratic supervision. Efforts should be made to democratize decisionmaking and make it more scientific, doing all possible to reduce mistakes in work. Before decisions are made about important capital city construction and reform issues,

the opinions of parties concerned should be solicited through channels for democratic discussion and dialogue so that policies, and actions will be more realistic. Government departments should use methods such as dialogue, letters and visits from the people, and the establishment of day-to-day government administration telephone lines to hear appeals from the masses at any time. They should maintain close relations with people's congress delegates and CPPCC members, earnestly handling all proposals, resolutions, and suggestions, gradually systematizing the handling of matters through discussion and democratic deliberation. There are 56 different nationalities in the capital city, so serious attention must be given nationalities work, vigorous efforts made to consolidate socialist nationalities relationships of equality, unity, and mutual assistance. Minority nationality customs and habits should be respected, and the development of minority nationality districts fostered. Religious policies should continue to be carried out diligently, the freedom of religious belief and normal religious activities protected.

Government legal system work is an important integral part of the building of a socialist legal system. Fortifying the building of a legal system in order gradually to bring the work of all government departments within the purview of the legal system is an important task in improving the economic environment and rectifying the economic order. Beijing is an exceptionally large city with a population of 10 million. Only by running the city in accordance with law is it possible to build a modern, socialist civilized capital. Methods and measures found highly effective in the course of improving the economic environment and rectifying the economic order should be promptly summarized so they can be made into legal regulations in order to consolidate results from improving the economic environment and rectifying the economic order. During 1989, the municipal government plans to draw up a total of approximately 60 administrative rules and regulations, and local regulations to be submitted to the Beijing Municipal People's Congress Standing Committee for decision. In addition, it will complete inventorying of the city's administrative rules and regulations. While continuing to formulate and perfect laws, government legal work will currently focus on rigorous enforcement. It is necessary to persist in correcting the dereliction of duty on the part of some leading organizations, leading cadres and law enforcement units who do not abide by the law and who violate the law with impunity. A work examination system and a position responsibility system for law enforcement personnel should be set up with all possible speed, and the status of enforcement of 30 key laws and newly promulgated laws should be examined. In addition, various methods should be used to improve education in the legal system to increase citizens' awareness of laws. Cadres at all levels and young people are the focus for education in the legal system. Henceforth, mastery of a knowledge of laws, acting as a model in observing the

law, strict enforcement of the law, and administration in accordance with law will be important standards in the evaluation of leading cadres and law enforcement personnel.

**Increasing social order and comprehensive control of social order, and improving the economic environment and rectifying the economic order are interrelated and mutually advancing.** The far-flung public security cadres and people's armed police, and public order activists among the public have made major contributions in the struggle against crime, and they have kept social order in the capital basically stable. Responsibility systems for comprehensive control of social order should be further established and perfected. In districts, locations, industries, and units in which public order is chaotic and the masses express strong dissatisfaction, leaders in charge should take responsibility for organizing special forces to concentrate on restructuring. Currently, not only have illegal economic activities increased, but criminal cases, particularly serious criminal cases, are also on the rise. Some repulsive social phenomena that had been on the verge of extinction are growing and spreading again. Government at all levels must earnestly carry out all measures for their comprehensive control, come down hard on serious crimes, serious economic crimes, and hooligan groups; continue to punish severely illegal activities that hurt reform; prohibit in accordance with law all activities that disturb social order; and resolutely stamp out prostitution, gambling, and feudal superstitious activities according to law. They should perfect mass prevention and control systems, strictly institute responsibility systems for the preservation of order, and mobilize forces in all parts of society to do a genuinely fine job in the maintenance of public order in the capital. They should actively and properly handle all social contradictions that may adversely affect social stability, preventing the sharpening of such contradictions. Those citizens who show themselves willing to take up the cudgels for a just cause, resolutely struggling against criminal elements, should be publicized and given commendations in order to encourage people to stand up for what is right. During 1989, the focus is to be on some prominent problems affecting the social order, and the masses are to be aroused to carry out a series of struggles for public order, forming a powerful deterrent force against criminal elements, further buttressing the masses' sense of security, and insuring smooth performance in improving the economic environment and rectifying the economic order.

#### Delegates!

The tasks for 1989 are extremely daunting and complex. So long as we unflinchingly carry out the CPC Central Committee's and the State Council's plans for improving the economic environment and rectifying the economic order, and for deepening reform, use our political advantages to the full, arouse all positive elements, rally spirit, work together as one, by working jointly with the people

throughout the city, we will certainly be able to overcome all difficulties in the process of moving ahead, and continue to make progress in socialist modernization.

#### Hebei Budget Report

40060642 Shijiazhuang HEBEI RIBAO in Chinese  
8 May 89 p 2

[Report submitted by Han Xizheng 7281 6932 2973, director, Finance Department, Hebei Provincial Government: "Final Financial Account for 1988 and Draft Budget for 1989 of Hebei Province—Reported to the 2d Session of the 7th Hebei Provincial People's Congress on 19 April 1989"]

[Text] Delegates, I have been commissioned by the Provincial People's Government to give to this Congress a report on the final financial account for 1988 and on the draft budget for 1989 of Hebei Province. Please examine the report and deliberate on it.

#### I. Final Financial Account for 1988

During 1988, the entire provincial population was earnestly implementing the policy of stabilizing the economy and deepening the reform, and, in the spirit of the 1st Session of the 7th Provincial People's Congress, were instituting on a broad scale and in depth a movement for increasing production and practicing economy, for increasing revenue and reducing expenditure, and vigorously took up the work of "improving the economic environment and rectifying economic order," accomplishing much effective work and achieving new progress in the economic development of the entire province. While agricultural production in some districts suffered from natural calamities, total grain production reached the highest level ever achieved, industrial production made steady progress, and commercial circulation further expanded. On this foundation, the province's financial budget was very effectively executed. It supported the various reforms and promoted economic construction as well as the development of all our various undertakings.

The 1st Session of the 7th Provincial People's Congress had approved 6,144.88 million yuan as budget revenue of the whole province. During execution of the budget, due to an amount set off for foreign trade enterprises, and incorporation into the budget of the farmland use tax and the electric power development fund, the annual income in the budget became adjusted to 5,910.05 million yuan. This change has been reported to the Standing Committee of the Provincial People's Congress. Now, on compiling the final account, the aggregate total is 6,478.24 million yuan, so that the budget was fulfilled to 109.6 percent, an increase of 12.4 percent over the preceding year. The main items of revenue were: 1) Industrial and commercial tax to the amount of 5,576.98 million yuan, fulfilling the budget to 106.8 percent, a 16.5 percent increase over the preceding year and essentially in line with production growth. 2)

Income from enterprises was 51.56 million yuan, fulfilling the budget to 194.2 percent, but 510 million yuan less than the year before. In this figure, income from industrial enterprises was very satisfactory, achieving 623.09 million yuan during the year, which was 127.1 percent of the budgeted figure, and an increase of 3.1 percent over the preceding year. Because of the increase in the procurement price for live pigs, the foodstuff trade suffered an additional loss of 113.74 million yuan, so that the situation of the commercial enterprises changed from contributing 9.69 million yuan of profits to the treasury to a losing position costing the treasury 64.83 million yuan. The loss of grain enterprises was 147.12 million yuan, an additional loss of 5.86 million yuan compared with the preceding year. Besides, the central authorities put the foreign trade enterprises on a lower administrative level and newly increased the subsidy for losses of the foreign trade enterprises by an additional 454.18 million yuan. The three above-mentioned factors are the major reasons for the very large decline in enterprise income. 3) Revenue from agricultural tax and farmland use tax was 301.59 million yuan, which was 90.6 percent of budgeted amounts and 52.1 percent better than the year before, mainly because of stricter control of the farmland use tax, also due to collection of the new forestry products tax, which greatly increased this source of revenue. 4) Income from some special accounts, such as for drainage of waste water, use of natural resources, etc. was 279.39 million yuan, fulfilling the budget to 167.4 percent, an increase of 95.0 percent over the preceding year, mainly by additionally including income from the grain transfer management fees and income from the fund for the development of electric power.

Besides, during 1988 treasury bonds to the amount of 404.72 million yuan were placed throughout the province, completely fulfilling the task assigned by the state.

Budget expenditure for the entire province approved by the 1st Session of the 7th Provincial People's Congress was 4,993.48 million yuan. During execution of the budget, due to supplementary funds from the central authorities, a fund balance from last year, and closing balances and disposition of excess receipts from special funds, the annual budgeted expenditure became adjusted to 7,453.94 million yuan. This was also reported to the Standing Committee of the Provincial People's Congress. Now, on compiling the final accounts, the aggregate expenditure was 6,751.72 million yuan, coming to 90.6 percent up to the adjusted budget figure, and showing a 26.6 percent increase over the preceding year. The following shows how expenditure items of the budget have been fulfilled: 1) Expenditure for capital constructions amounted to 398.28 million yuan, fulfilling the budget to 93.5 percent, without exceeding the control norms decreed by the state. 2) Funds to enterprises to tap potential amounted to 172.5 million yuan, fulfilling the budget to 83.5 percent, an increase of 18.9 percent over the preceding year. 3) Expenditure on the three items of science and technology amounted to 54.12 million yuan, fulfilling the budget to 89.1 percent, and 31.2 percent

more than the year before. 4) Expenditure to support rural production and agricultural operating expenses amounted to 508.94 million yuan, fulfilling the budget to 82.3 percent, an increase of 24 percent over the preceding year. Among these expenses, the expenditure for support of agricultural production was 26.9 percent more than in the preceding year. 5) Expenditure for cultural, educational, and public health affairs was 1,914.23 million yuan, fulfilling the budget to 97.1 percent, 27.9 percent more than the year before, and in that increase, educational expenses had increased 30.1 percent. 6) Expenditure for administrative expenses and for public security organs, procuratorial organs, and people's courts was 988.41 million yuan, fulfilling the budget to 96.7 percent, an increase of 33.5 percent over the year before. In this expenditure, the expenditure for administration was 727.18 million yuan, an increase of 29.3 percent over the preceding year. The expenditure for public security organs, procuratorial organs, and people's courts was 261.23 million yuan, an increase of 46.8 percent over the preceding year. The comparatively large increase of this item is mainly due to increases in salaries of personnel, raising fixed tariffs for some expenses, improvement in communications facilities, and added equipment and installations. 7) Price subsidies amounted to 1,268.19 million yuan, fulfilling the budget to 94.4 percent, and constituting an increase of 24.6 percent over the preceding year.

In 1988, the state changed the financial system as it related to Hebei Province from one of "taking a share of the total amount of profits" to "contractual responsibility for a progressively increasing the amount to be turned over to the state." Calculated according to the new system, the province had to turn over to the central authorities in the year under discussion 1,586.64 million yuan of its revenue. It could retain locally 4,891.6 million yuan, to which must be added special funds and subsidy funds allocated by the central authorities amounting to 1,715.95 million yuan, another 1,010 million yuan of the balance from the preceding year, and 48.99 million yuan transferred-in funds, so that the province had available a total of 7,666.54 million yuan. During the year, actual expenditure totalled 6,751.72 million yuan; budgeted working funds and other funds for rural areas were increased by 17.59 million yuan. projects already scheduled had to be continued and to be provided this year with 1,019.45 million yuan, leaving a deficit of 122.22 million yuan (41.23 million yuan at the provincial level and 80.99 at the local city and county level).

It has to be explained that after the 1988 budget was decided upon, the central authorities and the province continuously came up with some new measures of a policy nature requiring additional expenditure, such as additional allowance to staff and workers for nonstaple foods, increases to retired personnel and pensions, allowance to social relief personnel, increased tariffs for travelling expenses, etc., which altogether added up to an additional expenditure of 275 million yuan. Although

the budget had been fixed at the beginning of the year, changes in the conditions caused some other expenditure items to increase much beyond budget figures, such as salaries and bonuses for personnel of newly added administrative units, employment of retrained veterans and of graduates from universities, middle schools, and vocational schools, and medical treatment at public expense. All these items caused an excess over budget amounting to 390 million yuan. The above-mentioned two figures constitute an excess over budget of over 600 million yuan, while fiscal revenue achieved an increase over the budgeted figure of only somewhat over 500 million yuan. This is the main reason for the 1988 deficit.

To accomplish the budgeted tasks in 1988, the provincial and lower ranking people's governments earnestly implemented the spirit of the 1st Session of the 7th Provincial People's Congress, and exerted much effort in such movements as increasing production and practicing economy, increasing revenue and reducing expenditure, broadening the sources of income, raising returns, and improving the administration of public finance and taxation.

A. Deepening reform of the public finance system, promoting increased revenue, and practicing economy. Last year, in a spirit apt to invigorate public finance and promote increasing revenue and practicing economy, the province instituted various forms of contractual financial responsibility methods in 18 localities and cities, and, furthermore, delegated 13 rather scattered categories of taxes involving smaller amounts to the localities and cities as their fixed income. At the same time, 9 county-rank cities were listed as separate financial plan units. Various methods of contractual responsibility systems were introduced as between localities and cities in relation to counties (districts), and between counties (districts) and towns and townships, whereby enthusiasm for increasing revenue and reducing expenditure was aroused at all levels of the administration. Financial income of local cities and counties increased 16.8 percent over the preceding year, and their growth rate was 4.4 percentage points above the provincial average. At the same time, we vigorously promoted the development of public finance administration in towns and townships, and 3,559 towns and townships throughout the province have by now township-rank finance administrations; they account for 99.4 percent of the total number of towns and townships. Public finance income of towns and townships this year is 17 percent more than the year before, which imparted added vitality to county finances and promoted the development of the rural economy and various undertakings.

B. Deepening enterprise reform, raising economic returns, maintaining production development. Last year, departments of all ranks exerted great efforts to perfect the system of contractual management responsibility. They instituted separation of accounts as between government and enterprise funds and conducted at selected

points experiments with contractual assumption of risks and securities. For 5 municipalities and 5 counties a method was instituted of linking the gross payroll amount to the economic returns of the enterprise concerned. At the same time, enterprises were energetically assisted to perfect their internal management mechanism, improve their financial management and economic accounting, so as to improve the economic efficiency of the enterprises. For every 100 yuan output value of industry in the provincial budget, an increase of 2.82 yuan more profit and tax revenue was achieved than in the preceding year. For every 100 yuan capital, 3.20 yuan more profit and tax revenue was achieved than in the preceding year. Turnover of quota current funds was accelerated 13 days compared to the preceding year. Labor productivity of all personnel was increased 1,187 yuan compared to the preceding year. At the same time, key enterprises and the production of key products were energetically supported with favorable policies, with capital, and in actual work, as were enterprises in their efforts to tap potential and to effect transformations. Last year, the entire province was permitted to repay loans before taxation, tax was reduced, and tax exemptions occurred, and 1.89 billion yuan of loans were repaid as taxes, which played an important role in nurturing sources of finance and strengthening enterprise logistics. In 1988, the industrial output value budgeted in the local budgets of the province was achieved to the amount of 18.85 billion yuan, an increase of 14.2 percent over the year before, realizing 2.77 billion yuan of profits, an increase of 31.6 percent over the preceding year. The industrial enterprises and the commercial enterprises could retain profits that were 32.5 and 81.7 percent, respectively, above profits retained in the preceding year. The number of large industrial enterprises in the local budgets of the entire province with annual profits and taxes amounting to 10 million yuan or more increased from 56 to 71.

C. Improving tax collection and tax administration, striving to stop up loopholes and to increase tax revenue. Governments and financial departments of all ranks have conscientiously implemented the spirit of the "Urgent Circular on Improving Tax Collections," issued by the State Council. They have widely publicized the tax laws and spread education on tax collection, actually improved tax collection and tax administration, and initially straightened out cases of unauthorized tax reductions and tax remissions. In order to control the sources of tax revenue and to reduce losses, a new tax registration was carried out in respect of the 620,000 industrial and commercial enterprises of the province, and invoice inspection and clearance was instituted everywhere. Throughout the province, 4,552 taxation assistance and protection groups have been set up, tax inspection stations have been newly set up, a tax inspection corps has been organized, and 82 new inspection offices have been established, and the method of deducting tax on wholesale transactions has been further improved. To stimulate enthusiasm for tax collection work according to law among tax collection personnel, a

system of specific responsibilities for collection, administration, and investigation of tax affairs was instituted in the 478 tax offices of the 82 counties (districts) of the province. These measures have further improved tax collection work, and tax revenue is steadily increasing. Among this revenue, sundry tax revenue increased 22.3 percent, and individual income adjustment tax increased from 1.25 million yuan in the preceding year to 4.47 million yuan this year.

**D. Implementing a spirit of ensuring availability of funds and of ability to exercise restraint, ensuring investments for key projects and controlling general expenditure.** Under the present strained financial conditions, the governments and finance departments of all ranks must by every possible means squeeze out capital to enable increases in the expenditure for agriculture, education, science and technology, and for the price reform. These four types of expenditure were all higher than the increases in fiscal revenue, they supported agricultural production, promoted progress in science and technology as well as in educational undertakings, and stabilized and improved the people's livelihood. In this one year, it was possible, through investments by public finance and raising of funds in many quarters of society, to newly open or restore over 50,000 motor-pumped wells throughout the province, build a series of small-scale water conservancy installations, increase and improve irrigation over an area of 346,000 hectare, and to afforest 245,000 hectare of land. Attendance at ordinary colleges and universities and secondary technical schools of all kinds increased 5.5 and 8.1 percent, respectively, compared to the preceding year. The gross payroll for the whole province was 25.3 percent higher than in the preceding year, but after a deduction on account of the increase in the cost of living, the actual increase in the gross payroll was 2.6 percent. At the same time, efforts were made to control the scope of capital constructions, and some construction projects were stopped or delayed. Institutional purchasing was strictly controlled. The amount spent last year on purchases of specifically controlled commodities declined 31.6 percent compared to the year before. In respect of operating expenses for administrative units, the method of contractual undertakings was continued.

**E. Improving supervision of finance and taxation, strictly upholding law and discipline in financial and tax matters.** According to the unified disposition of the State Council, governments of all ranks conscientiously organized a large investigation of tax collection, financial affairs, and commodity prices. This great investigation surpassed all others of the past in scope, momentum, thoroughness, and effectiveness. According to statistics up to the end of February this year, the investigation revealed 463 million yuan having been used in violation of financial discipline, 277 million yuan that will have to be turned over to the financial authorities, while 235 million yuan have already been turned over to the treasury. We have increased fiscal revenue, strictly

upheld financial and economic discipline, and promoted the work of "improving the economic environment and rectifying the economic order."

In the execution of our budget and in financial work during 1988, there are still some problems that must not be overlooked: First, expenses for personnel have risen too fast. In recent years, personnel in administrative units has been increased very fast, in addition, tariff rates for salaries, wages, and allowances have been raised, so that expenditure for personnel has increased very fast and is taking an ever increasing share in fiscal expenditure, and is exercising a heavy pressure on the finance departments of all ranks throughout the province. These expenses have been the main cause for the 1988 deficit. Second, supervision of financial and tax matters is too lax. Cases of revenue being misappropriated or "trickling away," especially cases of tax embezzlement and tax evasion are still rather prevalent. On the expenditure side, extravagance and waste, and the indiscriminate issue of bonuses and materials has reached serious dimensions. Some units fail to think along the lines of having to live through hard times, they indulge in ostentatious behavior, vie with each other in lavish lifestyle, and willlessly fawn on those in powerful positions. Third, enterprises show low economic returns. Their products are of low quality, their consumption of materials is too high, and their production is too costly, all factors that obstruct any attempt to increase financial revenue. Besides, financial resources are not equally distributed between the various regions, and tax burdens too are not equal among enterprises. The macroeconomic regulatory and control capability of the finance organs is too weak and their measures have proven insufficient. Although we have found out about these problems and expended some efforts on remedial actions, overall, our measures have not been forceful enough, and the problems continue to exist. We must earnestly study these problems and, in our future work, strive for effective improvements.

## II. Draft of the Fiscal Budget for 1989

In accordance with the CPC Central Committee's policy of "improving the economic environment, rectifying the economic order, and comprehensively deepening the reform," and in accordance with the national economy of Hebei Province and its plan for social development, the following are the principles that have guided compilation of the 1989 fiscal budget of Hebei Province: On the foundation of an assured steady growth of fiscal revenue, a fiscal policy of retrenchments, rational adjustment of the expenditure structure, guarantee of key requirements, cutting down on expenditure of an ordinary nature, and efforts toward basically balancing the provincial fiscal revenue and expenditure.

For 1989, the state has assigned to Hebei Province the task of achieving a revenue of 6,611.95 million yuan (which here and in the following includes the farmland

use tax). According to advance figures of possible revenue submitted by the various localities and cities, the total revenue in the province's 1989 budget will be 6,806.16 million yuan, 6.6 percent more than in the preceding year. The main revenue items in the schedule are: 6,204.09 million yuan industrial and commercial tax, 11.2 percent more than in the preceding year, agricultural tax, farmland use tax, and agriculture and forestry special products tax of altogether 4,291.600 yuan, an increase of 42.3 percent over the preceding year; income from enterprises -303.85 million yuan (in this figure industrial enterprises 644.24 million yuan, commercial enterprises -109.17 million yuan, grain enterprises -263.56 million yuan, foreign trade enterprises -594.87 million yuan, other enterprises 19.51 million yuan, a decline of 355.41 million yuan compared to the year before); income from energy sources and communications funds of 132.30 million yuan, which is about the same as achieved in the preceding year, special fund for waste water drainage and water resources charges as well as other revenue 151.46 million yuan, and 193 million yuan income from the budget adjustment fund.

Besides this, the state has allocated to Hebei Province the task of placing 399 million yuan of government bonds, which have already all been taken up at various localities.

Deducting the 1,658.04 million yuan to be turned over to the central authorities, above budget revenue, with the addition of a settlement subsidy from the central authorities of 569.68 million yuan, to make good the deficit from last year, the funds available to the province this year will be 5,535.66 million yuan, 4.7 percent more than in the preceding year. In accordance with the fund request from all quarters for 1989, and considering actual expenditures spent in the preceding year, also after effecting appropriate adjustments in the spirit of ensuring key needs and restraining ordinary needs, we have compiled budget expenditure amounting to 5,743.94 million yuan, an increase of 8.6 percent over the preceding year. This is the scheduled figure for this year set by Hebei Province, but during the execution of the budget, the central authorities will allocate some special funds, such as price subsidies, various funds for special operations, etc., and some special items of expenditure closed last year by Hebei Province will also be reflected in this year's expenditure. The actual expenditure this year will therefore be somewhat higher. In due course, this will be reported according to proper procedure to the Standing Committee of the Provincial People's Congress and to the National People's Congress. When balancing expenditure against revenue, this year's budget schedule shows a gap of 208.28 million yuan, of which the share of the provincial authorities is 125 million yuan and the share of the local cities is 83.28 million yuan. Main items of expenditure in the budget schedule are: Capital construction expenditure of 264.48 million yuan, a decline of 17.9 percent compared to the year before, funds for enterprises for activation of latent

potential and for transformations 50.25 million yuan, a decline of 48.4 percent compared to the year before, the three types of expenditure for science and technology and expenses for scientific undertakings 97.47 million yuan, an increase of 1.3 percent over the year before, support for rural production and expenditure for agricultural operations 605.42 million yuan, an increase of 25.7 percent over the preceding year, expenditure for cultural, educational, and public health affairs 1,913.58 million yuan, an increase of 11.1 percent over the year before. In this sum, education accounts for 1,231.23 million yuan, an increase of 12 percent, expenditure for pensions and social welfare and relief 196.67 million yuan, a 5 percent increase over the preceding year, administrative expenses (including expenses for public security organs, procuratorial organs, and people's courts) 904.93 million yuan, an increase of 7 percent over the year before, price subsidies of 730.35 million yuan (including 472.22 million yuan subsidies for grain and oil crop price differentials, 10.64 million yuan subsidies for cotton price differential, 204.76 million yuan for meat, vegetable, and coal subsidies, 42.73 million yuan subsidies for leather tanning, soap manufacture, means of production, etc.), an increase of 38.5 percent compared to the preceding year, and 160.20 million yuan for a general reserve fund.

The situation with regard to the budget for the provincial-rank administration is now as follows: Its income is scheduled at 201.58 million yuan, a reduction of 21.8 percent compared to the preceding year. In this amount, industrial and commercial tax revenue is 508.46 million yuan, which is 14.3 percent above the figure actually achieved in the preceding year; income from enterprises -664.23 million yuan, an increase in losses of 55 percent compared to the preceding year (mainly due to the larger losses by foreign trade and grain enterprises); 132.8 million yuan from levies on energy sources and communications funds, 193 million yuan income from the settlement adjustment fund, 32.04 million yuan agricultural tax and farmland use tax, 1,280.28 million yuan turned in by localities and cities. The above is the income of the provincial-rank administration itself with the addition of the portion contributed by localities and cities, which makes altogether 1,481.86 million yuan. After making good the deficit of the preceding year of 41.23 million yuan, the provincial-rank administration will have a financial resource of 1,440.63 million yuan. Expenditure for the year is scheduled at 1,565.63 million yuan, leaving a gap of 125 million yuan. The situation with regard to the main items of expenditure is as follows: Capital construction 248.76 million yuan, in this item, funds raised by the province itself have been reduced by 40 percent; funds for enterprises to tap potential and for transformations 10 million yuan, the same as in the preceding year, for the three types of expenditure for science and technology and for scientific undertakings 63.11 million yuan, an increase of 10.6 percent over the year before, expenditure in support of agriculture 185.48 million yuan, an increase of 36.5 percent over the year before, expenditure for cultural,

educational, and public health affairs 284.21 million yuan, an increase of 14.7 percent over the preceding year. In this amount, educational expenditure was increased 15.5 percent, price subsidies 527.48 million yuan, an increase of 72.3 percent over the year before, and a reserve fund of 35 million yuan.

Several points in the 1989 fiscal budget of revenue and expenditure require classification.

A. On the question of the increased level of fiscal revenue. The fiscal income for the entire province in 1989 is budgeted at 6,806.16 million yuan, this, at comparable dimensions, is an increase of 420 million yuan, i.e. an increase of 6.6 percent compared to the preceding year. In this increase, the increase of industrial and commercial tax is 11.2 percent. The magnitude of this increase was determined according to the developmental plan for the national economy of the entire province, with due consideration for reductions and increases of a policy nature. This year, because banks raised their interest rates on loans, prices for some raw and semifinished materials went up, adjustments were made in the salaries and wages of enterprise staff and workers, and because of increased losses in foreign trade, fiscal revenue will drop by about 600 million yuan. This is more than public finance can possibly tolerate, and this demands of the enterprises greater contributions, and also requires them to absorb on their own a part of the factors that cause the decline in revenue. At the same time, to ensure increase in fiscal revenue, the provincial government is studying other measures to accumulate capital and increase revenue, such as an appropriate accumulation of increased income beyond their contractual responsibilities from materials and supply companies, greater regularity in tax collections, increase in tax revenue, etc. All of these factors for increased income have been included in the budget. Although the magnitude of increases in this year's budget schedule may appear small, they are consonant with the developmental plan for the national economy of the province.

B. On increasing input in agriculture. In the 1989 budget schedule, an additional 123.71 million yuan was added for support of agriculture, a 25.7 percent increase compared with the preceding year. Of this sum, 49.62 million yuan are increases on the provincial level (besides an additional share of 30 million for agriculture in the overall capital expenditure), which is an increase of 36.5 percent. All these increases are above the level of increases in overall expenditure. Furthermore, there is a 7 million increase this year in subsidies to agricultural means of production and 11.94 million yuan (an increase of 19.4 percent) scheduled for aid to less developed regions. At the same time, we shall also, in various forms, encourage and guide the collectives and the peasants to increase input in agriculture, gradually improve production conditions in agriculture, and promote the continuous steady progress in agricultural production throughout the province.

C. On increasing intellectual investments. Since 1983, financial organs of all ranks throughout the province have exerted great efforts in this respect. Comparing 1988 with 1983, operating expenditure throughout the province for cultural, educational, and science affairs increased 115.1 percent, i.e. the average annual increase was 16.5 percent. Among these, educational operating expenses increased at an average annual rate of 16.7 percent, always at a higher rate than increases of fiscal revenue and overall fiscal expenditure during the same period. At the same time as educational operating expenditure increased, education also benefited to differing extents from increases in some portions of capital expenditures scheduled within the general fiscal expenditure and in the operating expenditure of other departments and from surcharges, outside of budget control, to the agricultural tax and the urban public utilities tax. In the last 2 years, a surcharge was levied on educational fees. In 1988, the total expenditure by this province on education amounted to 1.67 billion yuan, an increase of 370 million yuan over the year before, i.e. an increase of 28.7 percent. For 1989, an additional 131.92 million yuan, i.e. an increase of 12 percent, is budgeted for educational operating expenses, while other education funds will also continue to increase. In the budgeted increase, 21.56 million yuan, or an increase of 15.5 percent, will be increases for provincial-rank education, higher than the magnitude of this year's fiscal increases and overall fiscal expenditure. In addition, there will be an appropriate increase in this year's surcharge on educational fees, so that there will be also quite an increase in these funds. Even so, educational funds are still insufficient, and great improvements are still required in educational operations. While we shall make the best use of available financial resources, we shall continue to encourage all of society to promote education and to open up new channels of learning. We shall improve on our work-study programs, support new avenues of increased income for our schools, and promote the healthy development of educational affairs in Hebei Province.

D. On stabilizing and improving the people's livelihood. In order to stimulate the peasants' enthusiasm for growing grain and cotton, and to promote agricultural development, the state decided this year to appropriately raise the grain contract procurement price, and to change the former system of buying at negotiated prices to one of purchases at market price. The state will also appropriately raise procurement prices for cotton and vegetables, measures which will correspondingly increase peasant incomes. When raising procurement prices, the financial authorities will also correspondingly raise subsidies, to ensure that no ill effects will be felt by the urban population. At the same time, to improve the livelihood of staff and workers in administrative units, the state is making preparations to raise at an appropriate time the salaries and wages of staff and workers in administrative units. Arrangements have been made to include in the

budget the additional approximately 380 million yuan of above-mentioned expenditure to stabilize and improve the livelihood of the people.

**E. On strict control of fiscal expenditure.** In the last 2 years, the very rapid increase in the expenditure of Hebei Province has been beyond what the provincial finances alone can bear. Focus of all financial work this year shall be on restraining demand for funds and control of fiscal expenditure. The provincial government has decided that in the expenditure of this year's increased fiscal income, apart from guaranteeing essential expenditure for salaries and wages, funds needed in the reform of commodity prices and wages, and increases—as far as financial resources will permit—in expenditure for agriculture, education, and science, some items of expenditure will have to be substantially cut down, so, for instance, capital construction budgeted for expenditure by the province itself is to be reduced 17.9 percent (a 40 percent reduction for the province-rank administration), expenditure for tapping enterprise potential and enterprise transformations is to be reduced 48.4 percent, and an appropriate reduction will also be effected in some price subsidies.

**F. On the gap between revenue and expenditure.** For many years, the financial situation of Hebei Province has been very strained, and as a consequence of the continuously increasing proportion of personnel expenses in the overall fiscal expenditure, public finance has been left with less and less room for maneuver. Because of restraining factors of many sorts, fiscal income cannot possibly be much increased this year. However, this year's increased needs may amount to over 800 million yuan, namely for funds for agriculture and education, for increased price subsidies occasioned by the raising of procurement prices for grain, cotton, and vegetables, and for essential increases in certain items of last year's expenditures that become due this year. Even with all the retrenchment measures that we shall adopt, it will still be impossible to balance fiscal revenue and expenditure, and a gap in the financial schedule is unavoidable. In the course of implementing the budget, we shall, on the one hand, try hard to open up sources of finance and strive for extra income, and, on the other hand, improve supervision and control of finances and economize wherever there is anything to economize, strive to spend less and exert ourselves to the utmost to narrow the said gap. At the same time, we shall effect a better analysis of the revenue-expenditure situation, and arrive at a more rational disposition of capital funds, be more careful in organizing, and as far as possible reduce the adverse effects of the budgetary gap.

### **III. Unifying Everyone's Thinking, Affirmation of Confidence, and Working Hard To Accomplish the Tasks of the 1989 Budget of Hebei Province**

The tasks outlined in the 1989 fiscal budget are heavy indeed, and many difficulties may arise during the implementation of the budget. In order to guarantee

complete accomplishment of the budget for the entire province, all localities and departments must be fully aware of the present fiscal situation in Hebei Province, we must reach a common understanding, affirm our confidence, and while realizing the difficulties that exist we must seek to create favorable conditions to overcome these difficulties and display readiness for arduous struggle and for building up the country through thrift and hard work. We must closely integrate "improving the economic environment, rectifying the economic order, and deepening the reform" with the movements for increasing production and practicing economies, and for increasing revenue and reducing expenditure, and in a careful and thorough manner perform well all our various types of work.

**A. Pursue in greater depth the movements of increasing production and practicing economy as well as of increasing revenue and reducing expenditure, to maintain the steady growth of fiscal revenue.** This year's measures of cutting down the scope of investments and reducing loans by public finance will impose certain restraints on the speed of economic development, but will also provide the momentum that will force us on to the road of tapping potential for increasing revenue and of broadening sources of income and reducing expenditure. We must work hard to realize a shift from a speed-oriented to an efficiency-oriented economic development. We must supervise and urge every locality to take resolute action in full integration of the peculiarities of each place, to increase production and practice economies, to increase revenue and reduce expenditure, to gain a clear understanding of objectives, to accomplish all tasks, to decide on specific measures, and to obtain substantial results. The focal point of increasing production and practicing economy and of increasing revenue and reducing expenditure is the situation at the enterprises. We must help the enterprises by every possible means to solve their problems of finding sufficient supplies of energy, capital funds, and raw and semifinished materials, and we must create our enterprises an improved external environment. We must energetically develop new products, increase production of products that are easily marketable, also famous brand and surefire export goods, and promote adjustment and perfection of production structure and product mix. We must at the same time pay special attention to the work of turning unprofitable into profitable enterprises. Especially in the case of entities earning large profits and paying much tax, we must continue specifically arranged guidance and key support, striving to have them advance to even higher levels of activities. In the case of unprofitable enterprises, we shall continue to adopt the method of "having them bear contractual responsibility for losses, refuse them subsidies for additional business losses, allow them to retain the amounts by which they will reduce losses, allow them to retain all business profits," to encourage them in this way to turn losses into profits within a certain time limit. If such enterprises prove hopelessly unprofitable, we shall attempt to improve their composition through merger or sale by auction, and strive to

achieve a shift in the industrial deficit position by 10 percent. By an improvement of the business management of enterprises, strengthening internal economic accounting and other basic work, instituting such scientific management methods as target cost accounting, responsibility accounting, etc., we shall endeavor to achieve a 1 percent reduction in the consumption of main raw and semifinished materials, a 10 percent reduction in variable portions of enterprise management expenses and workshop operational expenses, and an 8 percent acceleration in the turnover of allotted circulating funds. We shall educate the numerous cadres and the masses to display the excellent tradition of arduous struggle and of building up the country through thrift and hard work, foster the idea of having to endure hard times, oppose wastefulness and extravagance, lavish spending and dissipation, stop up loopholes of expenditure, and economize whatever expenditures can be economized.

B. Deepening the reform of enterprises, promoting increases in production and revenue. Perfection and further development of the system of contractual management responsibility shall be focal point in our efforts to deepen enterprise reform, urging on all enterprises to further raise economic returns and increase fiscal revenue. We shall organize a force to undertake an earnest review of the condition of contractual management responsibility during the last 2 years and to study methods of further improvements. As to newly contracting enterprises, enterprises shifting to the contract system during the next period, and enterprises unsuccessful in living up to the contracts due to incompetence of their managers, they should all institute competitive public bidding. A risk mechanism shall be introduced, and we shall actively promote risk security undertakings by all personnel, so that the managers' risks of success or failure are also an immediate hazard for all staff and workers. We shall continue to practice on trial the method of separate accounting and management of state funds and enterprise funds, and gradually establish an administrative setup for state-owned assets. We shall continue to promote and perfect the method of linking the gross payroll of an enterprise with its economic returns, and have raises of salaries and wages determined mainly by the increase of economic returns and labor productivity of the enterprise concerned. We shall go steadily ahead with on-trial introduction of the shareholding system, while the public ownership system shall remain in dominant position, and we shall furthermore study formulating corresponding financial management methods. We shall intensify supervision of the finances of enterprises under the contract responsibility system, and perfect the year end auditing system. All enterprises under the contract responsibility system and those not yet under the contract responsibility system must devote time and energy to perfecting their internal business mechanism, must effectively conduct an internal comprehensive reform, effect improvements in their labor

composition, effectively improve the internal distribution, stimulate to the utmost enthusiasm and creativity among their numerous staff and workers.

C. More effectual tax collection and tax management, energetically organizing revenue. Fiscal income depends primarily on tax revenue, and doing an efficient job of tax collection is crucial for this year's task of achieving the budgeted income. Governments and departments of all ranks must earnestly implement the State Council's "Resolution on Improving Orderliness in Tax Collection and Strengthening Tax Management." We must overcome the lopsided concept of "benevolent government," achieve more effectual tax collection and tax management, and strictly administer tax affairs in accordance with law. We shall launch education in tax law and propaganda for tax collection, and fortify among the entire population the concept that taxes have to be paid according to law. We must have a centralized tax authority, strictly prohibit all unauthorized reducing taxes or exempting from taxes, and must furthermore investigate and straighten out reductions of taxes or exemptions from taxes and the ways in which tax policy is being implemented. We must further perfect the control of negotiable instruments, continue doing a good job of setting up accounting systems, promote the reform of tax collection and tax management with the objective of applying more scientific methods, and operating on more normalized and more institutionalized lines, and we must raise the quality of tax collection and tax management. We shall perfect the system of tax retention at the wholesale link, and stop up loopholes. We shall improve the collection and administration of taxes in such weak sectors as the farmland use tax, individual income adjustment tax, income tax of private enterprises, as well as in the tax collection in rural areas, and in the collection of other sundry taxes; duly collected taxes shall immediately and in full amount be remitted to the treasury. At the same time, we must do a good job of establishing a contingent of tax collectors; we advocate civilized ways of tax collection, and to have all tax affairs handled in an open way; we shall promote a system of administrative responsibility for targets, and further raise the enthusiasm among the large contingent of tax cadres for the support of production and for organizing revenue.

D. Implementing a policy of retrenchment, strictly controlling expenditure. Retrenching finances comprises effecting needed economic improvements and rectifications as well as taking important steps to solve financial difficulties. It is therefore necessary to give priority to cutting down on demands for funds and to restrict fiscal expenditure. We must not only restrict the demand for the total volume of funds, but adjust the structure of expenditure and act in accordance with capabilities, on the principle of guaranteeing the supply of needed funds, on the one hand, and maintaining capability to exert pressure, on the other hand, we shall give priority to the key undertakings of agriculture and education, but at the

same time energetically restrain and reduce other expenditure. All localities and departments must foster the idea that we shall have to endure hard times, and we must show ourselves in all affairs as hardworking and thrifty. The expenditure norms in the budget must be strictly controlled, and though we may allow economies, we shall not allow overspending. We must conscientiously adhere to the method of "pledging a double responsibility for proper compilation of the budget and for operating within budgeted expenditure." By way of policies and limiting funds, we shall restrict indiscriminate additions to personnel by administrative units, and do our very best to streamline the administrative structure and reduce personnel, thus checking the excessive increase in expenditure for personnel. We must reduce operating and maintenance costs, cost of acquisitions, and cut down on expenses for meetings. We must resolutely reduce institutional purchases, strengthen administration of procurement of controlled commodities, levy the surcharge for commodities under state monopoly or control, and effectively ensure that the retrenchment of institutional purchasing tasks is realized, namely by 20 percent based on last year's figures. The restraints of the budget must be affirmed, fund control must be intensified, and a system of responsibility for the use of funds as well as a system of tracing use and feedback about their use must be instituted, so that every fiscal fund is allocated and used according to plan, and will be fully effective.

E. For greater orderliness in financial and tax matters, intensifying financial supervision. According to the demand for "improving the economic environment and rectifying the economic order," we must effectively continue this year with the great investigation, and emphasize rectifying order in tax collection, financial affairs, and in the administration of the budget. We must straighten out and rectify the various policies of tax reductions and of yielding profits to the enterprises. Whenever any such policy has expired, it must be immediately stopped, and those that have not yet expired must also be newly decided upon according to the changed circumstances. To cope with the present problem of scattered financial resources and weakened regulatory and control capability in fiscal affairs, we shall have to take measures for the appropriate centralization of financial resources, and with regard to extrabudgetary funds, apart from those funds that are allocated centrally as funds for key constructions in the field of energy sources and communications and budget regulatory funds, the use of such funds shall be guided in directions that conform with state policy by means of policy guidance, special financial savings accounts, and other forms. We must straighten out the scope of financial income and expenditure and of expenditure for production costs. We must resolutely stop and rectify levying of unjustified financial levies and arbitrary raising of production costs, the unauthorized raising of proportions that may be withdrawn from special funds, and the indiscriminate issue of bonuses, handing out of materials, and granting of allowances. In integration

with price and wage reforms, we must appropriately reduce and straighten out various subsidies, and solve the many problems in the excessive undertakings of the state. We must intensify supervision and investigation of the way tax laws, regulations, and policies are being executed and how institutions are operating, must resolutely stop the practice of disregarding existing laws, and must suppress actions that violate law and undermine discipline. Throughout the entire province we shall take strong action against tax evasion and tax resistance, to discourage all unlawful elements and to tighten up on tax payment discipline.

Delegates! During the first quarter of this year, 1.6 billion yuan have been collected as Hebei's financial revenue, an increase of 7.6 percent compared to the corresponding period of the preceding year. Of this amount, 1.55 billion yuan was collected as industrial and commercial tax, 15.6 percent more than during the corresponding period of the preceding year, and higher than the growth rate of the province's industrial production, and also higher than the planned growth rate scheduled in this year's budget. Fiscal expenditure has reached 1.09 billion yuan, 26.9 percent more than during the corresponding period of the preceding year. The comparatively large increase in expenditure was mainly caused by factors of increased expenditure that have appeared last year, and that are coming up this year as additional expenditure. If we eliminate this factor, our expenditure would be quite normal. Overall, the revenue and expenditure situation during the first quarter is very good. We are determined to exert ourselves in the effective performance of our work, and in a concerted effort together with the people of the entire province, we shall pursue the arduous struggle, overcome our difficulties, and strive to successfully accomplish the tasks of the 1989 financial budget.

**Inner Mongolia Government Work Report**  
*40060638 Hohhot NEIMENGGU RIBAO in Chinese*  
*3 May 89 pp 1-3*

[Article by Bu He 1580 6378, chairman, Inner Mongolia Autonomous Region: Government Work Report; 2d Session of the 7th Inner Mongolia Autonomous Region People's Congress of 20 April 89]

[Text] Delegates:

As a representative of the autonomous region people's government, I will now submit the government work report to the congress for consideration.

**I. Review of Government Work During 1988**

1988 has been a year of sustained economic development in which the region began to see results from its implementation of the spirit of the 13th National CPC Congress and the 3d Plenary Session of the 13th CPC Central Committee, the continued deepening of reform, and improving and rectifying one year of initial results

and development of the economic order. Under leadership of the CPC Central Committee, the State Council, and the Autonomous Region CPC Committee, during the past year the autonomous region's people's government has persevered in a policy of "building unity, reform, and opening to the outside world"; has diligently implemented the decisions of the 1st Session of the autonomous region's Seventh People's Congress; and has mobilized all nationalities throughout the region to strive to the full, has completed main tasks in economic and social development; and has made heartening strides toward putting into effect the three near-term objectives that the autonomous region is struggling to achieve. During 1988, the region's gross national product amounted to 14.75 billion yuan, up 11 percent from 1987 (figured in terms of comparable prices, and the same applies hereinafter). National income amounted to 12.06 billion yuan, up 11.3 percent; gross social output value was 26.79 billion yuan, up 11.2 percent; and the gross output value of industry and agriculture was 20.649 billion yuan, up 14 percent. The four above indices were more than double the 1980 figures for the realization 2 years ahead of time of the first-step development goals set by the 13th National People's Congress.

**—Strengthening of Leadership in Agriculture and Animal Husbandry, New Steps Upward in Grain Output, and Further Steady Development of the Farm Village and Pastoral Area Economy**

Acting in the spirit of the 5th Plenary Session (Enlarged) of the 4th Autonomous Region CPC Central Committee, government at all levels made acceleration of agricultural development for gradual realization of substantial grain self-sufficiency one of the important strategic goals of socioeconomic development throughout the region, strengthening leadership of agriculture and animal husbandry. There was further consolidation and perfection of the family output-related contract responsibility system in agricultural and pastoral areas, and improvement and amplification of the socialized services system; continued building of commodity grain bases, building of animal husbandry bases and commodity bases able to resist natural disasters, and promotion over wide areas of various techniques to increase yields. All trades and industries actively supported agricultural and animal husbandry production, overall investment through various channels and from many quarters being increased; new advances were scored in farmland capital construction centering around water conservancy, and agricultural and animal husbandry production conditions were further improved.

Thanks to the active efforts of the broad masses of cadres and fine weather conditions, as well as the foundation built earlier, achievements were good in agricultural and animal husbandry production for the year as a whole. The gross output value of agriculture for the region as a whole reached 6.853 billion yuan in a 14.1-percent increase over 1987. Gross output of grain reached 7.383 billion kilograms in a 1.31 billion kilogram, or 21.6

percent, increase over the all-time high of 1987. Output of oil-bearing crops reached 567 million kilograms, up 5.1 percent, and output of sugar beets reached 2.19 billion kilograms, up 30.5 percent.

Animal husbandry also achieved a bumper harvest. As of the end of June, large draft animals, sheep, and goats numbered 42.01 million head, 4.2 percent more than during the same period in 1987, making 1988 the second highest output year for the region. At the end of the year, animals in inventory numbered 36.27 million head, up 10.7 percent from 1987, making it the all-time highest year. Hog production rallied, hogs in inventory at year's end numbering 4,664,000, up 2.4 percent from 1987. Output of major livestock products also saw varying degrees of increase.

In forestry, improvement in the survivability rate in reforestation and of the conservation rate were highlighted. The afforested area for the whole year figured in terms of nationally set standards reached 263,600 hectares, up 6.98 percent from 1987.

Township and town enterprises continued fairly rapid development, their gross output value for the year amounting to 3.7 billion yuan in a 34.1-percent increase over 1987, with gross revenues of 43 billion yuan in a 35.8-percent increase. Banners and counties producing an output value and revenues of more than 100 million yuan increased to 15 from 10 in 1987.

Support to poverty-stricken areas received further serious attention. The region has eight needy banners and counties, a number of needy townships and sumu [5685 2606], which are below the poverty line for food and clothing, as well as some needy households which have begun to prosper. Vegetable production for major cities produced a bumper harvest. The aquatic products industry saw new development.

**—Continued Deepening of Economic System Reform; Steady Rise in Industrial Production; and Further Improvement in Economic Returns**

During 1988, reform of the region's urban economic system followed the principle of "separation of ownership from operation," emphasis being placed on enlivening enterprises and bolstering enterprises' ability to develop themselves, with the general promotion and perfection of contractual responsibility systems. The pace of industrial enterprise reform quickened; the scope of contracting expanded further; and some enterprises introduced the competition mechanism. As of the end of 1988, 80.4 percent of budgeted state-owned enterprises had contract responsibility systems, contracting of operations being done in 93.66 percent of large and medium-sized enterprises for an increase of 55.63 and 58.36 percentage points, respectively, over 1987. In the process of promoting contracting systems, various forms of contracting were created, including large enterprises contracting with small enterprises, contracting enterprises

leasing enterprises showing only minuscule profits or showing losses, and contracting among enterprises under different systems of ownership, making beneficial efforts in both the intension and extension of contract system expansion. In addition, all regions have proceeded from realities in active operation of pilot projects for leasing systems, auctions, and the merger of enterprises. The promotion of contractual responsibility systems has accelerated changes in enterprise management mechanisms for a marked increase in enterprises' vitality.

In 1988, the gross output value of the entire autonomous region was 13.796 billion yuan, up 13.9 percent from 1987, and pretty much stabilized at the speed of development of the past several years. There was an adjustment of the commodity mix, outputs of chemical fertilizer, agricultural plastic sheeting, small tractors, 10 different kinds of nonferrous metals, and briskly selling color television sets, rugs, and synthetic detergents showing a substantial increase, and steel and iron, coal, cement, and electric power generation showing varying degrees of increase for a strengthening of effective supply capabilities.

Under the impetus of steadily deepening reform, enterprise administration improved markedly, technical transformation speeded up further, and economic returns continued to climb. The labor productivity rate for all personnel in independently accounting industrial enterprises under the system of ownership by the whole people broke the 10,000 yuan mark for the first time, reaching 10,741 yuan, an 8.1 percent increase over 1987.

Locally budgeted industrial enterprises in the region under the system of ownership by the whole people produced profits and revenues amounting to 1.704 billion yuan, up 41.1 percent from 1987. Earnings from sales amounted to 9.36 billion yuan, up 26.84 percent from 1987 in a 29.9 and 15.6 percentage point respective speed of increase in comparison with gross output value. Enterprise losses were 40 percent less than in 1987 in a 3.7 percent percentage point narrowing of the extent of losses. Such an accomplishment was not easy given the 1987 extremely short supply of energy, capital, and shipping, and the serious shortage of raw and processed materials.

#### **—Diligent Implementation of the "Three Guarantees and Three Reductions" Policy, Emphasis on Faster Progress in the Building of Projects, and Further Improvement of the Investment Structure**

Acting in accordance with the "three guarantees and three reductions" policy enunciated by the central authorities, and overall plans for "active readjustment of the investment structure, and concentrating strength to ensure key construction" that the first meeting of the 7th Autonomous Region People's Congress decided upon, since 1987, all levels of government have taken pains to readjust the investment structure, curtailing nonkey, nonproductive, and nonplan projects, so that the scale of

capital construction throughout the autonomous region would not exceed the state plan. In 1988, investment in capital construction under the system of ownership by the whole people amounted to 2.9 billion yuan, up 18.4 percent from 1987. This included a 28.9-percent increase over 1987 in investment in construction of a productive nature, the 1987 ratio of 67.9 to 32.1 being readjusted to 73.8 to 26.2. Such a high proportion of investment in productive construction has been a rarity in recent years.

Construction of key projects throughout the region speeded up, and reserve strength for economic development increased. Investment in Erlian and Aershan oil-field prospecting and development, and construction of an oil pipeline was originally set at 120 million yuan in 1988, but actually more than 500 million was spent. Eight large and medium-sized projects throughout the region were completed and went into production, 980 million yuan being required for these eight that have gone into full production. A newly added electric power generation installed capacity of 133,000 kilowatts increased coal mining capacity by 1.38 million tons. Newly constructed power transmission lines capable of carrying more than 110,000 volts extend 365 kilometers; 843 kilometers of new highways have been constructed; and 143 long distance telephone lines have been newly added. The pace of enterprise technical transformation has quickened, 1.46 million yuan having been spent during 1988 on replacement and transformation of units under ownership of the whole people, thereby improving the technology and equipment of a number of enterprises.

#### **—Steady Deepening of Reforms in the Commodity Circulation Field, Quickening of the Pace of Opening to the Outside World, and Further Expansion of Domestic and Foreign Trade**

Reforms in the commodity circulation field have probed a new means of fostering market mechanisms, and have enlivened buying and selling in city and countryside markets. Social commodity retail sales figures for the region as a whole reached 13.05 billion yuan in 1988, up 23.8 percent from 1987. After taking price increases into account, the increase was still 6.4 percent. This included 5.141 billion yuan of commercial retail sales in the system of ownership of the whole people, a 22.9-percent increase; commercial retail sales of 3.851 billion yuan in the collective ownership system, a 28.95-percent increase; and commercial retail sales by licensed individuals amounting to 1.228 billion, a 31.9-percent increase. Sales of farming village and pastoral area means of production accounted for 1.16 billion yuan of the total social commodity retail sales figure, up 27.5 percent. Throughout the region, urban and rural country fair trade was brisk, the volume of transactions for the entire year amounting to 1.134 billion yuan, up 16.4 percent. Despite the influence and impact of various factors during 1988, which produced turmoil in the commodity circulation area and market fluctuations for a time,

thanks to the strengthening of price controls, control of major commodities having a bearing on the national economy and the people's livelihood, and resort to necessary subsidies, supply of the main items that the masses use in production and daily life was substantially guaranteed.

During 1988, the autonomous region promoted reform of its foreign trade system, a "double track work contracting responsibility system" being the centerpiece. This reform further perfected pertinent policies and regulations for attracting investment by foreign traders and encouraged exports to earn foreign exchange, actively improved the investment climate, increased export foreign exchange earning capabilities, and gave impetus to economic and technical cooperation and exchanges with the outside world. Foreign trade purchases for the year totaled 1.474 billion yuan, up 30.04 percent from 1987. Exports totaled \$294 million, up 29.5 percent. A total of 48 agreements for economic and technical cooperation with the outside world having an agreed value of \$60.73 million were signed for a 121.46-percent fulfillment of plan for the year. Substantial progress was achieved in border barter trade with the Soviet Union and Mongolia. The total import-export figure for the whole year was \$96.77 million, more than double the 1987 figure. In addition, efforts were made to widen the field, developing economic and technical cooperation with the Soviet Union in the form of project contracting and labor exports.

New progress was made in lateral economic and technical links. For the whole year, a total of 220 million yuan of capital was imported; more than 3,200 technically qualified people of various kinds were imported; and 190 million yuan was spent on joint imports and joint exports related to more than 600 cooperative projects. This played an active role in advancing the whole region's economic development and technical progress.

**--Pervasive Development of the "Double Increase and Double Economy" Campaign, Financial Revenues Higher Than Increase in Expenditures, and Further Increase in Self-Sufficiency**

Since the beginning of 1988 the autonomous region government has formulated a series of measures to increase income and reduce expenditures in accordance with the State Council's policy of stabilizing the economy and deepening reform, every level organizing to carry them out. Government at all levels did a large amount of effective work in perfecting enterprises' contract responsibility systems, promoting increased earnings and reduced expenditures in enterprises, improving tax collections, strictly controlling financial expenditures, strengthening fiscal supervision, and maintaining financial and economic discipline to fulfill budget tasks for the whole year. Local financial revenue for the whole region amounted to 2.413 billion yuan, up 24.2 percent from 1987, including 2.141 billion yuan in industrial and commercial taxes, a 21.1-percent increase. Government

financial expenditures were 5.101 billion yuan, up 12 percent from 1987. The autonomous region's fiscal self-sufficiency rate improved. This, plus central government subsidies, produced a balance between receipts and expenditures for the whole year. Fiscal expenditures were primarily for the farming and animal husbandry industries, education, enterprise replacement and transformation, and urban capital construction, the emphasis being on economic and social development.

Financial units diligently pursued a policy of "control total volume, and readjust the structure," credit fund investment being assured but the amount held down, poor quality projects being curtailed and superior quality projects being fostered. The net increase in savings deposits of all kinds for the year was 2.3 billion yuan, and the net increase in credits of all kinds was 2.97 billion yuan for a major contribution to improving the economic environment and rectifying the economic order, in stabilizing markets, stabilizing money, and supporting the autonomous region's economic construction endeavors.

**--Education and S&T Oriented Toward Economic Construction, Continued Deepening of System Reform, and Further Development of Cultural and Medical Facilities**

In 1988, the investment in intellect continued to receive serious attention, fiscal expenditures for education increasing 18.6 percent over 1987. Educational facilities improved, intermediate and primary schools in most areas substantially implementing "One Without and Two Haves." Reform of the basic education administrative system deepened, hastening progress in making elementary education universal. A 9-year compulsory educational system is being planned and put into effect step by step. As of the end of 1988, 97.3 percent of school age children in the region were in school. In 79 banners, counties, and cities, primary school education that meets autonomous region people's government acceptance standards is now substantially universal. This is 13 more than in 1987. Preschool education and special education also saw new achievements. The content of intermediate education markedly improved, and vocational and technical education improved. Primary and senior middle school vocational students studying farming and animal husbandry number 55 per 10,000 school students, more than double the national average per 10,000. In higher education, readjustment of the content of instruction and specialized curriculum continued to be carried out, teaching quality improved, and applicability to economic construction increased. Nationalities education has been developed as a priority matter, the number of minority nationality students per 10,000 population being higher than the average for both the country and the autonomous region. Pastoral region Sumu center schools practicing "two primaries and one public" [liangzhu yigong 0357 0031 0001 0361] have spread inland from border regions, 149 new ones having been added. Adult education has been largely systematized.

offering training in various skills and vocations. During 1988 alone, 338,000 staff members and workers took on-the-job training, and 1 million peasants and herdsmen received varying levels of training in practical skills.

In scientific and technical work, a policy was pursued of service to the building of the economy, continued deepening of system reform, further orientation toward the needs of the economy and the society, and hastening the commercialization of the fruits of scientific research. During the year, 320 separate technical achievements were transferred, the volume of business from them amounting to 16 million yuan. A number of fairly high-level scientific research achievements were scored throughout the year, nine of which received natural sciences progress awards, national invention awards, and national spark awards. Some 103 projects received autonomous region natural sciences progress awards. A total of 231 patents were applied for, and national patents were issued for 63. In scientific research units, the pace quickened in the contracting of research tasks and in the trial implementation of "separation of ownership from operation," thereby strengthening internal vitality and dynamism. New advances were made in civilian-run scientific research. This brought about a diversification in scientific research. Implementation of the patent law, the weights and measurements law, and the technical cooperation law, as well as greater use of advanced standards, spurred technical progress in production.

Implementation of the "spark plan" proceeded smoothly, with 102 projects having been planned as of the end of 1988 and 18 of them completed.

Cultural, health and sanitation, Mongolian language, physical education, news publishing, broadcast television, and social science research facilities all saw new development.

**—Adherence to Doing "Two Kinds of Production" at the Same Time, the Livelihood of the Broad Masses of People Improving Further on a Foundation of Economic Development**

During 1988, after the autonomous region decided to bring the per capita gross national product gradually up to the national intermediate level or higher as one of the region's three short-term struggle goals, governments at all levels devoted attention to improving the broad masses population consciousness and per capita concept, and adhered to doing "two kinds of production" at the same time in work practice. The autonomous region promulgated "Temporary Regulations on Planned Parenthood," and instituted a responsibility system with population control as its goal, for rather good results. In 1988, the natural rate of increase for the region's population fell from 18.63 per thousand in 1987 to 18.25 percent, which was .095 percentage points lower than the national 14.2 per thousand.

Accompanying the development of production and control of the population was a new rise in the per capita level of production throughout the region. In 1988, per capita gross national production for the region as a whole reached 1,096 yuan, up 9.6 percent from 1987. The people's earnings increased, the per capita net income of peasants and herdsmen, in particular, showing a substantial increase. The weighted per capita net income of peasants and herdsmen throughout the region averaged 547.15 yuan, a 121 yuan increase over 1987 for a 28.4-percent increase. This surpassed the average 545 yuan per capita net income of peasants nationwide, the autonomous region rising from eighteenth place nationally in 1987 to thirteenth place in 1988. This included a peasant per capita net income of 499.79 yuan, an increase of 111.02 yuan in a 28.56-percent increase; and a herdsman per capita net income of 850.19 yuan, up 187.71 yuan in a 28.33-percent increase. The per capita living expenditure income of city and town residents throughout the region was 832.57 yuan, up 11.7 percent from 1987.

**—Strengthening of Education About the Unity of Nationalities and the Democratic Legal System, Attention to Improvement of Government Work Style, and Further Consolidation and Development of a Stable and Unified Political Situation**

During 1988, government at all levels diligently practiced the spirit of the National Unity of Nationalities Progress Commendation Conference, and the Autonomous Region Second Unity of Nationalities Commendation Meeting, making a thorough commitment to Marxist nationalities concepts, the party's nationalities policies, and education in the unity of nationalities with regard to the broad masses of cadres of all nationalities. This further increased the cohesiveness and centripetal movement of the peoples of all nationalities throughout the region, and consolidated and advanced the socialist new nationalities relationships of equality, unity, mutual assistance, and fraternal love among all nationalities. A large number of advanced models of the unity of nationalities then sprung up in all areas and all units, 154 units and 146 individuals receiving autonomous region commendations, and 34 units and 34 individuals receiving commendations at a national unity of nationalities progress commendation conference. Peoples of all nationalities throughout the region regarded the promotion of unity as an honor, and unity between the armed forces and government, and between the armed forces and the civilian population, became closer, thereby laying a fine political foundation for reform and opening to the outside world, and for economic construction.

Throughout the region, education in socialist democracy and the legal system became more pervasive for further enhancement of the legal system. The autonomous region people's government strengthened legal system work, made gains in the task of spreading information about the law, and gave powerful new impetus to the building of democratic government and the building of

spiritual civilization. In addition, 11 administrative regulations were drawn up and promulgated during 1988. The campaign to deal severely with criminal offenses and economic offenses continued, particular attention going to controlling, being on the lookout for, and investigating and handling serious cases. In addition, social forces were mobilized to take various actions, tackling the maintenance of social order in a comprehensive way, and effectively ensuring smooth implementation of reform and building of the economy.

Government at all levels conscientiously improved its work style and strove to increase self-cultivation. The chairman and deputy chairman of the autonomous region drew up a responsibility system for major goals during their terms of office and made decisions about government free from corruption and workstyle improvement. All levels of government and functional departments formulated an attendant series of rules and regulations on the basis of their own realities, thereby increasing work efficiency and improving the atmosphere of government agencies. The autonomous region people's government used various means to bring about a dialogue among all parties, established government work consultation teams made up of comrades possessing pertinent expertise and having rather plentiful experience, increased work transparency, and took a stride forward in making policies more scientific and more democratic.

An overall view of 1988 shows new achievements having been scored in all aspects of work. These achievements were won as a result of the close unity, the arduous struggle, the forging ahead, and the great efforts of all nationalities throughout the region under the leadership of the party. They are also part and parcel of supervision in accordance with law and the vigorous support of the standing committee of the autonomous region people's congress, and the democratic supervision and warm-hearted help of the autonomous region people's consultative congress, all democratic parties, all people's groups, and patriots in all walks of life. The broad masses of officers and men in the PLA troops stationed in Inner Mongolia, in the People's Armed Police, and in the Forestry Police have also made important contributions in protecting and building the border region. As a representative of the autonomous region people's government, I wish to express heartfelt gratitude and present assurances of highest consideration to all the people's delegates, and through you to the workers, peasants and herdsmen, intellectuals, cadres, and patriots in all walks of life who are fighting on all fronts, and to the officers and men in the PLA, the People's Armed Police, and Forestry Police units, as well as public security cadres and police!

**Delegates:** When we look at the achievements, we must also realize the existence of quite a few problems during 1988 in economic and social development and progress throughout the region. The overheating of the economy, the excessive demand, the inflation, and turmoil in

commodity circulation noted by the central authorities are manifested in varying degrees in our region. Rather prominent have been: First, an overly rapid rise in prices—in 1988, the social retail price index for the region rose 16.3 percent. Although this is 2.2 percentage points lower than the national average, nevertheless, it has aroused general concern throughout the society, and uneasiness among the public. A random survey shows that although urban resident's living expenditure income in 1988 was higher than in 1987, after taking price increases into account, the actual standard of living declined for some staff members and workers, notably some staff members and workers in manufacturing industries, and in enterprises showing losses or minuscule profits. Second is loss of control over the scale of investment in fixed assets outside of plan. Overheating has occurred in certain regards in processing industries, particularly in some small carding plants, small leather plants, small dairy product plants, small caustic soda plants, small ferrosilicon plants, and such "15 small" enterprises. Starting up without adequate preparation or duplicatory construction and exceeding the region's capacity to provide electric power, raw and processed materials, and resources have intensified conflicts between supply and demand for the elements of production. Third is confusion that has occurred in certain aspects of commodity circulation. Illegal dealings, profiteering, jacking up prices, and extortion at each level in the circulation chain have seriously hurt and disturbed normal circulation and damaged the interests of consumers. Fourth is the continued existence in government agencies of certain corrupt practices. A small number of working personnel, who are unable to stand the test of reform and opening to the outside world, abuse authority for private gain and resort to corruption and acceptance of bribes, thereby seriously damaging the public's confidence in the people's government. In addition, some elements of instability still exist in society.

Objectively speaking, the appearance of these problems is a manifestation of various frictions and loopholes during the period of change from the old system to the new, and also a reflection of various conflicts that have accumulated over a long period of time in the building of the economy. Subjectively speaking, we also have shortcomings and have made mistakes in certain specific tasks. Notably, in devoting attention to liberalization policies and enlivening the microeconomy, we have failed to give sufficient attention to the strengthening of macroeconomic controls. There has been a lack of coordination between control and release. In a climate of economic overheating throughout the country, there are also problems in the form of headlong competition and impatience for success. The seriousness of inflation and price rises has been underestimated, no prompt vigorous control measures were taken, and no effective monitoring and checking was done. In the course of building the economy, there has been a slackening of ideological and political work, rules and regulations have not been

sufficiently perfected, and laws have not been rigorously enforced nor sufficiently vigorous action taken against serious violations of the law and discipline.

Solution of these problems has aroused our serious attention. In particular, following the 3d Plenary Session of the 13th CPC Central Committee in 1988, government at all levels took a series of effective actions in accordance with the general policy of improving the economic environment and rectifying the economic order, and the deepening of reform, a fine start being made in all tasks having to do with improving the economic environment and rectifying the economic order. The amount of investment in fixed assets has been held down, 155 projects in the region have been suspended, and 359 million yuan in investment has been cut. News of these events has been published in the press, and public supervision accepted. A major survey of tax collection, financial affairs, and prices has been launched throughout the region. By the end of the year, the rise in market prices was brought under control, and prices began to drop again. Investigation found a total of 149 million yuan in funds obtained through the violation of discipline, and 84.76 million yuan to be repaid to the treasury, 70 percent of which has already been paid. A complete inventorying and restructuring of all kinds of companies throughout the region was carried out, with 234 of 711 companies slated for major restructuring having been abolished. The first steps have been taken to put into effect the regulation that prohibits cadres in party and government agencies from doing business or operating enterprises. Some unhealthy tendencies have been corrected through clean government education and building, and some cases involving violation of the law and discipline have been dealt with. Of course, fundamental solution to the foregoing problems will require long-term efforts. In particular, control of prices and restricting overall social demand pose substantial difficulties. Therefore, we positively cannot slacken vigilance in the least ideologically, and we must continue to work unflaggingly.

## II. 1989 Work Goals and the Situation Being Faced at the Present Time

In accordance with the spirit of the 2nd Plenary Session of the 7th National People's Congress as applied to realities existing in our autonomous region, the main tasks in the work of the autonomous region during 1989 are as follows: Resolute implementation of the policies of improving the economic environment and rectifying the economic order; and the deepening of reform, arousal of spirit, and overcoming of hardships to spur stable development of the whole region's economy during readjustment; and the deepening of reform in order to lay a better foundation for achieving the autonomous region's three short-term struggle goals. Specific work objectives are as follows: First is to maintain steady growth of social production, a 2.5-percent growth in the gross output value of agriculture, an 8-percent growth in the gross output value of industry, and a 5.5-percent

growth in the gross national product. Second is efforts to increase effective supply, genuinely bolstering price supervision and control so that price rises during 1989 will be markedly lower than during 1988. Third is an investment of 2.125 billion in local total social fixed assets, the key areas for investment being agriculture, education, energy, transportation, and raw and processed materials industries. Fourth is efforts to bring gross output of grain to more than 7 million kilograms, and the number of draft animals, sheep, and goats to 43.5 million by the end of June, with 35 million head in inventory at the end of the year. Fifth is financial budget revenues of 2.578 billion, up 6.8 percent from actual budget revenue for 1988.

The overall state of the region is fine at the present time. In the development of the economy, however, quite a few difficulties are to be faced. One is the exceptionally tight supply and shortage of some elements of production such as capital, electric power, coal, petroleum, transportation, and raw and processed materials. The macroeconomy continues to operate amidst short supplies, and no fundamental amelioration can be expected in the near term. Second, difficulties in controlling prices are very great. The price rises of 1988 are having a very great influence in 1989. Prices of most of the region's industrial wares used in daily life are subject to markets outside the region, and very great efforts will be required to moderate market supply and demand conflicts. The task of making the rise in the price index during 1989 markedly lower than during 1988 will be a daunting one. Third is that, despite the increase in financial revenues, there is a limit to the financial resources available for doing things. In addition, many factors operate to increase expenditures and reduce revenues, and the conflict between supply and demand is rather prominent. Fourth, some trades and enterprises are facing insufficient work, so more and more of them may face losses, thereby adding new difficulties to stabilizing earnings of staff members and workers, and planning to place personnel awaiting employment.

It also has to be realized that despite the early successes in work during the previous stage with regard to improving the economic environment and rectifying the economic order, work at deeper levels remains to be further carried out. Because of the lack of a sound fixed assets investment responsibility system, and failure to make such investments on the basis of available national and autonomous region resources, "investment starvation" that has not been kept within bounds by policies has yet to be effectively restrained. Despite the inventorying and restructuring of some companies, market control regulations remain markedly imperfect. Because a fairly complete macroeconomic control system has yet to be built, difficulties in controlling the scale of investment and the amount of consumption funds are considerable. For this reason, the task of improving the economic environment and rectifying the economic order will be extraordinarily daunting in 1989 and 1990.

We must direct sufficient attention to difficulties and problems in economic development, and we must be mentally prepared to persist in overcoming difficulties. At the same time, it is also necessary to appreciate our advantageous circumstances.

One is that the achievements in 10 years of reform have laid a fine economic foundation for us to overcome difficulties. The region's gross national product, national income, gross output value of industry and agriculture, and local financial revenues are all more than double what they were in 1978, having increased by an annual 9, 8.8, 8.5, and 13.3 percent, respectively. They are all much higher than the average speed of increase during the previous 30 years. The level of social productivity has risen very much, economic strength has increased markedly, and the people's livelihood has markedly improved. The current readjustments are much more dynamic and more beneficial than the readjustments made under the difficult circumstances of the 1960's when there was a retrenchment of agriculture, and the people's problems of sufficient food and clothing had not been solved. In particular, our region's large bumper harvest in agriculture and animal husbandry of 1988 lays a fairly good foundation for development of the national economy. The coming on stream of several electric power construction projects and the coming on stream one after another in 1989 of generating units that will provide 360,000 kilowatts of electricity can serve as a first step in ameliorating the electric power shortage.

Second, the key points in the industrial policy that the state announced not long ago will help development of our region's dominant industries, and it will also help carry out the strategy for transforming our region's natural resources. Our region's industrial structure is made up primarily of basic industries such as coal, electric power, steel and iron, nonferrous metals, salt, alkali, and timber production, as well as transportation and post and telecommunications. These will not only not be hurt by readjustment, but will obtain further support and development. In the farming and animal husbandry industries, in particular, our region has a substantial potential for grain production, and it is also an important livestock production base for the country. Economic readjustment provides opportunities for advancing development of the farming and animal husbandry industries.

Third, the international climate provides favorable conditions for making the most of our regions' geographical advantages to expand economic relations with the outside world. Currently, the world situation has entered a new stage in which peaceful competition is dominant, and in which the atmosphere is becoming increasingly relaxed. This helps us open international markets on a wider scale. Our region, located on the northern frontier of the motherland, has a border more than 4,000 kilometers long. Two land ports of entry, in particular,

provide broad vistas for the development of border barter trade with the Soviet Union and Mongolia, and for the expansion of economic and technical cooperation.

Fourth, our region's political situation of stability and unity provides a fine social climate for continued improvement of the economic environment and rectification of the economic order and for the deepening of reform. As a result of 10 years of reform, the broad masses of cadres and the public have accumulated very many valuable experiences. The spirit of the 3d Plenary Session of the 13th CPC Central Committee is resolutely supported by the cadres and masses of all nationalities, and social stability and the unity of all nationalities throughout the region is an important assurance that we will be able to overcome difficulties.

In summary, the situation that we face today is one in which difficulties and opportunities coexist, and in which restraining forces and propelling forces are present at the same time. So long as we diligently carry out a policy of improving the economic environment and rectifying the economic order and deepening of reform, make full use of our various favorable circumstances, rally spirit, and have full confidence in our ability to overcome problems and difficulties in the course of moving ahead, we will certainly be able to achieve 1989's various work goals.

### III. Several Tasks To Be Emphasized During Rectification and Restructuring and the Deepening of Reform

#### A. Stress the Adjustment of the Economic Structure and Promote the Development of Economic Stability and Harmony

Premier Li Peng pointed out that "improving the economic environment and rectifying the economic order is a one-time economic readjustment." Good performance in readjustment of the economic structure holds decisive importance for improvement of macroeconomic benefits. State Council plans and actual circumstances in our own region must be the basis, and the development of productivity and improvement of economic returns the standard, used in deciding the gradual readjustment of our region's overall economic structure, including its industrial structure, its product structure, and its local economic structure, in an effort to allocate resources rationally and make the most of all advantages. The key to readjustment of the industrial structure lies in concentrating financial, material, and manpower resources on the development of mainstay industries that influence and power the region's total economy, while simultaneously stressing the strengthening of the basic positions of farming and agriculture. These mainstay industries are mostly energy industries such as coal, electric power, petroleum, and communications and transportation industries; metallurgical industries such as iron and

steel, rare earths, and nonferrous metals; chemical industries including those that produce salt and alkali, chemical fertilizers, and sulfuric acid; light and textile industries that use the sideline products of farming, animal husbandry, and forestry as their raw materials, and foodstuffs and forestry industries; and industries making items used in daily life that are closely associated with the lives of the masses. A new situation in which the economic structure is distinctive to our region should gradually be created the region's predominant natural resources serving as a back-up, and existing mainstay enterprises serving as a "turnkey" to accelerate the translation of natural resources advantages into product advantages, propelling development of the entire economy. All regions and all departments should regard mainstay industries as key service elements and give priority to them in planning for needed energy, raw and processed materials, and capital. In addition, duplicatory construction should be severely restricted, particularly the development of run-of-the-mill processing industries that compete for unavailable energy and raw and processed materials, and which produce products of shoddy quality. Financial departments should curtail the total amount of available funds as a fundamental step, and should also rationally readjust the credit mix in accordance with state industrial mix readjustment policies, so that funds can be assured in the midst of restriction, and so that there is vitality despite a funds shortage.

In readjusting the product mix, emphasis should be placed on the development of "hot selling merchandise," support for agricultural products, industrial wares used in daily life, and products that earn foreign exchange. At the present time, our region's self-sufficiency rate for industrial wares used in daily life is fairly low. There should be planned, targeted increases in the production of small commodities so that after 3 to 5 years of effort, the self-sufficiency rate will rise to about 40 percent. Active efforts should be made to apply international standards, and efforts made to improve both product quality and multiple processing, to increase competitiveness, to produce more marketable goods, to stabilize markets within the region, and to expand exports that create foreign exchange. Industries that produce high-priced goods of poor quality, goods in oversupply the production of which competes with key industries for energy, and for raw and processed materials, and high-energy consumption products must be resolutely restricted, their production shifted to other lines, or halted altogether.

In the readjustment of the region's economic structure, attention must be given to overall economic benefits, strengths played up and weaknesses played down, and labor divided rationally to make the most advantage of each jurisdiction's advantages in order to accelerate development of banner and country economies. Full use should be made of large and medium-size cities, existing industrial bases, and mainstay enterprises to enhance the percolation and radiation of information to spark local

economic development, taking a road of cities and rural areas forming a unified whole in the gradual formation of an economic network made up of different models and having distinctive individual traits. Border districts, and economically undeveloped areas, particularly minority nationality banners and autonomous townships should see a further liberalization of policies, and provide active support to promote their development. Major efforts should be made to increase both divisions of labor and cooperation among separate areas and among different industries for a gradual change of the situation in which each jurisdiction seeks complete economic development, and its own fully developed systems, with barriers between higher and lower levels and between different departments or regions, and a tendency toward identical economies. These changes should improve benefits from the allocation of resources, and increase both specialization and the level of socialized production.

Readjustment of the economic structure is a complex piece of systems engineering in which it is necessary to encompass the situation as a whole while simultaneously paying attention to each part of it, in order to synchronize and coordinate all tasks and to link the readjustment of the industrial structure with special policies. While determining overall economic policies and industrial policies, special policies such as planning, government finance, credit, materials, and tax collections must be correspondingly readjusted for the building and perfecting of transmittal mechanisms and tough restraints on sound macroeconomic strategy and microeconomic development.

In short, in the course of readjustment, we have to strictly handle relationships among all aspects according to productivity standards. It is necessary to both control "overheating" and properly "maintain heat." It is necessary both to hold down capital construction and to halt the production of goods in oversupply, and also to maintain key projects and increase production of goods in short supply, achieving support and suppression, increases and decreases, advances and retreats. We have to regard readjustment as a positive measure, using readjustment to pave the way and create new conditions for the deepening of reform; and using readjustment to further optimize the structure, improve returns, and move the whole region's economy and society along the way to stable development and a benign cycle.

#### **B. Resolute Curtailment of Overall Social Demand, and Making Sure That 1989's Price Rises Will Be Markedly Lower Than 1988's**

Ensuring that price rises will be markedly lower than during 1988 is the central task in our work during 1989, and is an important issue bearing on the overall political and economic situation. Readjustment of the economic structure requires careful focusing on this goal, and all tasks in both reform and construction must be subordinate to and serve this goal. Realization of this goal

requires a decision to curtail overly high overall social demand at the heart of which is curtailment of the scale of investment in fixed assets. Work during previous stages should form the basis for continuing to keep track of projects in progress, doing follow-up audits on construction projects that are to be halted or delayed, and resolutely curtailing nonproductive projects and nonkey projects. Construction of projects that meet criteria, but are beyond the autonomous region's present financial and material capabilities to support, must also be resolutely halted or delayed. Problems arising in the aftermath of a halt or a delay in construction projects should be handled well, with controls being tightened to reduce losses and waste. Financial control and audit supervision should be increased, financial and economic discipline rigorously enforced, a pervasive campaign of "double increase and double economy" launched, the fine tradition of arduous struggle, hard work, and thrift continually carried forward, and extravagance and waste firmly opposed. Of particular importance is strict control over the purchasing power of social groups, which is to be cut back 20 percent from the actual level of 1988. State tax collection policies are to be diligently enforced, government "speaking with many different voices" strictly guarded against, and no jurisdiction is to be permitted to open loopholes for tax reductions or exemptions, ensuring an increase in revenues. Pilot projects should be actively applied to the sale of public buildings in accordance with the autonomous region's "Views on the Deepening of Resident System Reforms." Medium- and small-sized cities and towns, in particular, should hasten the pace in splitting up consumption funds. Government at all levels and concerned departments should support financial institutions' efforts to increase the savings of city and countryside residents, using methods of various kinds to guide consumption properly in order to soak up and postpone excess social purchasing power.

Vigorous action should be taken to substantially stabilize prices. The autonomous region people's government has already broken down by individual regions the criteria to be applied to price control efforts, to play an important part in the assessment of government accomplishments. Government at all levels are to draw up layered price control objective responsibility systems resolutely apply them, and gain popular trust in them. A price index warning system is to be instituted for things closely associated with the daily life of the public such as cotton, salt, brick tea, laundry powder, soap, matches, and student notebooks. Price and market control over the means of production is to be increased, a franchise system being instituted for important means of production such as chemical fertilizer, plastic mulch used in agriculture, agricultural pesticides, and plush, a maximum price limit being established for them and quality standards strictly enforced. When it is absolutely necessary to raise the prices of a commodity, request for approval is to be made in accordance with established

procedures. Price discipline is to be rigorously maintained, and price supervision and surveys increased. No department, local government, or enterprise may unauthorizedly increase prices or raise fee collection standards.

Every effort should be made to expand production and to increase effective supply as an important backstop to improving market availability, stabilizing the prices of goods, and reassuring the public. Grain and edible oils are special commodities since our region is a net importer of foodstuffs. In order to maintain grain market stability, strong overall regulation and control actions must be taken, both managing channels and paying attention to regulation of grain markets within the region. Each area must act on the basis of the situation as a whole, assuring fulfillment of state grain and edible oil orders. Enterprises and materials departments under ownership of the whole people should use all means to organize sources of supply, and exercise to the full their function as main channels for withholding or supplying commodities to even out prices. They should be sure to restructure the commodity flow system, restructure means of production and major consumer goods markets, and take in hand the task of inventorying and restructuring companies from start to finish. Industrial and commercial, tax, price, standards, and weights and measures departments should cooperate closely in the exercise of their professional roles in supervising and inspecting. They should strictly control the prices of various means of production and important consumer goods outside the plan that the state has prescribed, and they should institute a price rise reporting system for major commodities. They should crack down hard on market-disrupting illegal actions such as attempts to dominate markets, jacking up prices, speculation and profiteering, and falsification and misrepresentation, and they should safeguard the interests of users and consumers.

#### C. Genuine Strengthening of the Position of Agriculture in the National Economy and Ensuring Stable Development of Grain Production

Farming and animal husbandry production are important to the overall building of the region's economy. Many years' practical experiences tells us that when agriculture is not firmly based, losses are sustained elsewhere, and society cannot be stable. In readjustment of the economic structure, there should be no "lowering of the temperature," but rather a "raising of the temperature," and adding "heat" with regard to farming and animal husbandry.

1. Steady expansion of grain production must be assured. As part of overall guiding thought, agriculture has to be placed in a basic position within the national economy, and the principle of an integration of policies, science and technology, and investment maintained. One hand must give attention to irrigated farming and one hand must pay attention to dryland farming. One hand has to

be concerned about improving yields per unit of area, and one hand has to be concerned about the suitable reclamation of additional farmland. One hand has to be concerned about increase in gross output, and one hand has to be concerned with readjustments to the mix of farm crops. In view of the frequency of natural disasters in our region, it is necessary to firmly establish a mentality of protracted resistance to disasters in order to win bumper harvests.

**Further deepening of rural reform, and continued consolidation and perfection of all policies.** Fundamentally speaking, the development of agriculture requires further arousal of the enthusiasm of the broad masses of peasants. The contracting of land to the peasants must be without change for a long time in order to encourage the peasants to increase their investment in the land. Every region and all departments concerned should further perfect the "three links" policy, and ensure that it is put into practice and honored. The improvement of socialized services should be the main component in the deepening of rural reform, all society providing excellent services to farming and animal husbandry, particularly to grain production, with the gradual building in farming and pastoral areas of a relatively all-round preproduction, production, and postproduction service system.

**Science and technology must be relied upon to make agriculture proper, with full implementation of "bumper harvest plans."** The 23 techniques for boosting yields in farming and animal husbandry that are being emphasized in 1989 should be gradually applied to individual peasant households and plots of land. Scientific research units are to be promoted and encouraged, and scientific and technical personnel from institutions of higher learning should go to the grassroots to do technical contracting and technical consulting, and be allowed to perform various kinds of services for compensation. The technical training of peasants and herdsmen should be done in a planned, step-by-step way in an effort to train an average of one primary- or intermediate-level technical person per household before 1995 in order to expand the permanent corps of technically trained herdsmen and peasants.

**Reform of the investment mechanism, increase in investment through several channels, and improvement in returns on investment.** The autonomous region plans to spend 6.31 million yuan to assist farming and animal husbandry during 1989, which is a 12-percent increase over the early 1988 budget. The autonomous region government has decided that effective in 1989, part of the locally apportioned income from the state budget regulation fund, the locally retained portion of taxes paid for takeovers of farmland, as well as a portion of township and town business taxes, are to be pooled as a fund for the development of agriculture. Insofar as possible, all levels are to increase investment in agriculture and take actions of various kinds to encourage peasant investment of funds and of labor. Along with this

increase in investment should come reform of the agricultural investment mechanism. The first such reform is selective investment linked to output, the second is establishment of responsibility systems to improve management and supervision, the third is to permit the grassroots to bundle agricultural assistance funds for use and the fourth is to set clear-cut rewards and penalties with inspections being carried out and rewards and penalties issued at year's end. In 1989 the autonomous region government signed responsibility certificates with all leagues and cities, which the people's delegates are asked to superintend.

**A good job should be done in the development of agriculture through emphasis on the transformation of medium- and low-yield fields for continued improvement of the building of commodity grain bases.** There are two main tracts for the development of agriculture, as follows. The three leagues and one city in the eastern part of the region, and the irrigated zone on both banks of the Huang He. Agricultural development should be done hand-in-hand with improvement of the farming system. In the irrigated farming zone, energetic efforts should be made to spread Bayannur League's experiences in "introducing grass into the fields, the grass being used to raise livestock, which provide fertilizer for the fields, thereby combining farming and animal husbandry." Dryland farming areas should do more to transform medium- and low-yield fields, and actively advocate and promote grass field crop rotation, and rolling and raking to conserve moisture as measures for increasing yields to promote steady increases in grain yields. Attention should be given to a combination of engineering technology measures and biotechnology measures to make full use of the role of water conservancy and agricultural mechanization to bolster reserve strength for the development of agriculture.

**Further attention should be devoted to readjustment of the rural industrial structure.** While emphasizing grain production, vigorous efforts should be devoted to the planting of trees, the planting of grass, improvement of the ecological environment, and promoting the all-round development of farming, forestry, animal husbandry, sideline occupations, and the fishing industry. Serious attention must be given the building of nonstaple food bases, a good job done in "vegetable basket engineering," to improve ability to supply vegetables, meat, milk, and eggs.

**2. Continued attention should be given to all construction in pastoral regions to advance the sustained, stable development of animal husbandry.**

**Government at all levels should continue to strengthen leadership of animal husbandry, firmly establishing a mentality of reliance on science and technology, an industry founded on grass, and the building of livestock raising.** In devoting attention to animal husbandry production, development of the grass industry has to be

given the paramount position. In pastoral regions, government at all levels and concerned departments should regard the grass industry as a piece of systems engineering to be studied, operated, developed, and built. They should continue to promote the experiences of Uxin Banner in the building of small enclosed manmade pastures provided with water, grass, forests, machinery, and fodder, vigorously promoting grassland management and the use of techniques such as determining the number of livestock to be raised on the basis of the amount of grass available, rotating herds from one pasture area to another, and winter and spring feeding in sheds. Continued attention should be given to the planting of grass, aerial sowing of grass, and other such methods of improving and building up the grasslands. There should be an earnest strengthening of emergency relief bases in pastoral lands in order to improve the entire region's ability to withstand and resist disasters. Animal husbandry units at all levels should take responsibility for implementation of the "Grasslands Law" and the "Grasslands Administrative Regulations," concerned departments cooperating with each other, protecting the grasslands and building the grasslands according to law.

The structure of animal husbandry production should be further readjusted in an effort to improve economic returns. In the patterning of production, vigorous efforts should be made to develop grasslands animal husbandry, and continued attention should also be devoted to the development of animal husbandry in farming regions, and in semifarm and semipastoral regions. As regards the scale of production, specialized production should gradually be developed based on households, households in partnership, or gacha [0867 2686]. In readjusting the mix between animal husbandry and farming and among varieties of commodities produced, energies should be devoted to improved livestock breeds and optimization of varieties to increase the proportion of superior livestock breeds and individual productivity. A rational balance should be struck between the number of male and female, and the number of mature and young, livestock animals in determining the structure of herds. Readjustment of the structure and improvement of feeding and management should be used as a means of improving the pasture grass transformation rate and economic returns, taking the road of little investment for much output, rapid turnover, and high returns.

Further consolidation and perfection of pastoral region production responsibility systems, and deepening of pastoral region reforms. Grazing lands throughout the region should implement contract responsibility system. In all places where grazing land use rights have not been allocated to individual households, they should be completely allocated to households during 1989, and a system for sound management, use, construction, and protection should be established. Where conditions permit, herdsmen should be induced, on the basis of voluntary participation, to develop cooperation among herdsmen'

households, as well as cooperation in the fields of processing and commodity circulation, to hasten development of a pastoral region commodity economy.

3. Afforestation should be given vigorous attention for further improvement of the region's ecological environment. During 1989, government at all levels is to continue giving greening work an important strategic position, each level setting up responsibility systems for the planting of grass and trees within a fixed period of time, and tenaciously implementing them to ensure new development of forestry production. Improvement in the quality of afforestation should be given top billing to hasten the pace of greening. Forestry authorities at all levels should earnestly shoulder responsibility to enforce of the "Forestry Law," diligently preventing forest and grasslands fires, preventing and controlling disease and insect pest damage, and halting unbridled cutting and denudation to protect existing forest resources. Further work must be done in building the second stage of the "three norths" forest shelter belt project.

4. While improving the economic environment and rectifying the economic order, the health development of township and town enterprises should continue to be advanced. During 1989, township and town enterprises should pursue a policy that combines development with readjustment, and consolidation with improvement, as markets require, with the emphasis being on readjustment and improvement. It is necessary to actively readjust the industrial structure and the product mix, to continue to do a good job of running the farming industry, the aquatic products breeding industry, and the agricultural byproducts processing industry, vigorously developing those products in short supply that are required in the daily life of the people, and for which plentiful raw materials are available, energy consumption is low, and a wide market exists. This will make a contribution to changing the situation in which our region depends on deliveries from elsewhere for necessities used in daily life. Energetic efforts are to be made to import advanced technology and scientific and technical personnel, emphasis being placed on improving product quality and strengthening management.

#### D. Further Advances in the Development of Various Social Endeavors Including Education and Science and Technology, Earnestly Solving the Problem of Training and Use of Talent

Firm attention to education, development of intellect, and hastening scientific and technical progress are the keys to invigoration of the region's economy. Government at all levels should firmly implant a mentality of projects of vital and lasting importance, with education being basic. They should further deepen understanding of education, earnestly place education in an important strategic position for the development of the economy and society, increase investment in education, improve

educational conditions, and strive to ensure the development of educational endeavors. Truly, the autonomous region is financially strapped in 1989, but despite the tight control being exercised over expenditures, investment in education has increased. An expenditure of 702.69 million yuan has been set aside for educational endeavors throughout the region. This is 24.1 percent more than the early 1988 budgeted amount. Although the rate of increase is not small, because of the large amount of catching up that has to be done, it still does not meet needs for development of education. We have to use various channels and various methods to solve the problem of insufficient educational funds. We have to develop different kinds of teaching systems, raise educational funds in different ways, and stir up enthusiasm for schooling in all parts of society and among the general public. Educational authorities and schools should manage and use educational funds well, practice strict economy, and strive for efficiency.

During 1989, the regions' educational endeavors are to focus on vigorous improvement of basic education, priority going to the development of nationalities education and emphasis going to intermediate and elementary vocational skills education and on-the-job adult education. The goal is all-round improvement of worker quality and training an increased number of suitable people, hastening and deepening reform of the educational system, active readjustment of the educational structure, building a schooling mechanism that is consistent with the building of the autonomous region's economy, scientific and technical progress, and the development of society, and gradually exploring a national educational system suited to the local characteristics, the ethnic characteristics, and the economic characteristics of our region. It is necessary to build and perfect an administrative system that takes into full account "three kinds of education," namely basic education, vocational skills education, and adult education. It is additionally necessary to carry out complete step-by-step reform of rural village and pastoral region education that combines the implementation of "prairie fire plans," "spark plans," and "bumper harvest" plans, genuinely strengthens various kinds of vocational skills education, gradually brings about coordinated development of industry, farming, and animal husbandry, science and technology, and education, those educated thereby becoming workers possessed of ideals, morality, and culture, who observe discipline and have certain specialized skills, and all kinds of suitable primary and intermediate level specialized personnel. All institutions of higher education should use the formulation of intermediate- and long-range plans as a basis for making rational readjustments to the structure, deepening reform, preventing mindless development, and striving for large size and completeness. They should concentrate their main energies on improving the quality of education, on gradual improvement of educational conditions, on improving educational benefits, and on actively serving economic construction and social progress in the autonomous region.

The hope for a thriving economy lies in education, and the key to improvement of educational quality lies in the teachers. We should continue to encourage the fine tradition of it being an honor to become a teacher to the people, and further implant throughout society the fine ethic of reverence for teachers and respect for education, constantly raising the social status of teachers. Governments at all levels should show earnest concern for the work, study, and living conditions of the broad masses of teachers, helping them solve real difficulties. The broad masses of teachers should strive to be "worthy of the name of teacher," make unceasing self-improvement efforts, impart knowledge and educate people, and be devoted to duty. There should be further reform and strengthening of ideological and political work and managerial work at all levels in all kinds of schools, restructuring of the order, strict control over schools, and creation of a peaceful and fine environment for educating people. Making full use of the role of school party and youth league organizations requires the education of students in ideals, ethics, patriotism, the legal system, deep love of work, and service to the people, those educated thereby gaining all-round development in ethical education, intellectual education, physical education, and esthetic education.

Scientific and technical units and scientific and technical personnel should firmly implant a mentality of service in building the economy. They should use deepening reform and perfection of scientific and technical reform as a means of enlivening scientific research institutions and scientific and technical personnel, perfecting scientific and technical markets, and hastening the commercialization of scientific and technical achievements. Major efforts should be devoted to promoting various forms of association and cooperation among scientific research units and enterprises to further arouse the enthusiasm and initiative of scientific and technical personnel for building the economy. Efforts should be made to take a firm hand in promoting the application of scientific and technical successes, particularly the spread of research on applied techniques, vigorous development of new techniques, new technology, and new products that require small investment, require only a short period to show results, and produce high profits.

Scientific and technical units should focus efforts on the autonomous region's 1989 agricultural production goals, continue to plan scientific and technical development work in agriculture and animal husbandry, mobilize scientific and technical personnel, go down into the frontline of farm and animal husbandry production, conduct technical contracting, technical services, technical consulting, and technical education, a larger number of peasants and herdsmen thereby mastering the knowledge and skills required for scientific farming and scientific raising of livestock. Industrial enterprises should improve their technical development capabilities, and do a good job of importing, digesting, assimilating, and blazing new trails in new technology. Staff member and worker technical training should be intensified, and

standards for the technical training rigorously watched. Basic scientific research should be given serious attention and strengthened, the emphasis going to the launching of R&D in advanced technology.

Leadership of social sciences research should continue to be improved. In particular, serious attention should be directed to the study of nationalities theory with social science workers linking their work closely to practical application, the better to serve the economic construction and the social development of the autonomous region.

The educational science and technology problem is, in essence, a qualified personnel problem. Those who gain talent are delighted, but those who lose talent are sad. Only qualified personnel can bring about vigorous development. Actions must be taken to provide a practical solution to the region's problems of a shortage of qualified personnel, the irrational pattern of their distribution in the region, imbalances among various fields of learning, and the use in some units of intellectuals on jobs other than those for which they are trained. Relative continuity of personnel must be maintained, and personnel must be encouraged to move to the grassroots level. Further use should be made of the role of various categories of talented personnel in the building of the economy. A social atmosphere of cherishing personnel, respecting personnel, and using personnel should be encouraged and built; the personnel administration and utilization system should be improved, and the training of personnel, the discovery of personnel, the use of personnel, and the protection of personnel should be treated as a matter of considerable importance and regarded as an important part of the rating of cadres at all levels. Avenues for talent should be widened and a situation further created throughout the region in which personnel perform to the full extent of their ability and talent is used to the full.

Planned parenthood is one of the country's basic national policies. The present is a peak period for births in the region during which government at all levels must devote a high degree of attention to controlling population increase. They must take as firm a grip on planned parenthood work as they take on economic work. It is necessary to continue to uphold and stabilize current planned parenthood policies, diligently implement the autonomous region's "Temporary Regulations on Planned Parenthood", energetically encourage and promote late marriage and late childbearing, superior births, superior rearing, and only one child per married couple, strictly prohibiting early marriage, early child bearing, and births outside plan. Population goal administrative responsibility systems should be put in place at every level, and implementation of all population control norms made an important part of the rating of government achievements at all levels. Effective actions should be taken for diligent solution to the problem of managing planned parenthood among the floating population. Planned parenthood units should constantly summarize

experiences, firm up confidence, and render a good performance. All units concerned should actively coordinate, energetically support, and work together on this daunting and complex task.

Environmental protection is yet another of the country's basic national policies. Government at all levels must take firm action to control environmental pollution and destruction of natural resources, improve the ecological environment, and ensure that natural resources are rationally used and protected. Right now, emphasis should be placed on a comprehensive clean-up of urban environments for coordinated development of economic construction and environmental protection.

In public health work, a policy of prevention should continue to be pursued, with emphasis on the building of grassroots public health organizations, development of ethnic medicine, expansion of medical treatment and health services, continued attention to local disease prevention and control work, launching of thoroughgoing patriotic health campaigns, and improving the level of health of peoples of all nationalities. In addition, training in medical ethics and medical workstyle should be increased for medical personnel.

In culture and the arts, news publication, broadcasting, cinema, and television, an orientation of serving the people and serving socialism must be maintained, and a policy of "letting a hundred flowers blossom, and a hundred schools of thought contend" maintained. Social benefits must be stressed, efforts made to provide more spiritual sustenance to heighten the ideological consciousness and cultural level of the masses of the people, and a good job done in building spiritual civilization in our region in which the culture and arts of all nationalities flourish, making new contributions. In news, propaganda, and reporting work, in particular, it is definitely necessary to have an accurate grasp of propaganda fundamentals, and accurately guide social opinion, all sorts of propaganda thereby helping stabilize the economy, the public mood, and society, and helping support the leadership of the party.

#### **E. Continued Deepening of Urban Economic System Reform and Further Expansion of the Opening Inward and to the Outside World**

Emphasis in the deepening of economic system reform during 1989 is to continue on doing a good job in perfecting and completing enterprise contract operation responsibility systems, and hastening the transformation of enterprise operating mechanisms. All enterprises not already doing contracting are to institute contracting in 1989. They are also to introduce competition mechanisms, preferred operators, and preferred contracting plans in accordance with "Contracting Regulations" for the regularization and systematization of enterprise contracting. All enterprises already contracting operations are to support the solemnity of the contract system, give close attention to contract auditing work, and strictly

honor contract agreements. Integrated reform of enterprises' internal structure and facilities, the personnel system, the labor system, and the distribution system is to continue to be deepened.

Enhancement of the vitality of large and medium-size enterprises, and the deepening of the internal reform of enterprises is to be given an important place in economic reform of the economic system in cities throughout the region. All large and medium size enterprises may practice "converting the big into the small, and multiple systems in a single plant," arousing the enthusiasm of all from top to bottom and every quarter. They should reform old administrative systems and methods to make administration more efficient. In the deepening of enterprise reform, vigorous efforts should be made to advance association and cooperation among the elements of production, namely capital, plant buildings, skilled personnel, technology, and equipment; do a good job of readjusting the enterprise organizational structure, gradually optimizing the allocation of production elements, improve economies of scale, and increase competitiveness. New avenues must be found for the placement of redundant personnel in enterprises, enterprises themselves making every effort to digest them. Failing enterprises must take different actions as their different circumstances warrant. Most important is the issuance of yellow label (huangpai 7806 3654) warnings to reverse losses within a certain time limit; fixing responsibility in accordance with regulations; calling for public tenders, selecting capable people to run plants, and encouraging dominant enterprises to contract, to lease, or to enter into mergers in order to turn the losses of these enterprises into profits and move to the path of normal operations with all possible speed. At the same time, some state-owned enterprises should be selected in a planned way, and in accordance with the principle of a separation of ownership and operating rights, for participation in pilot projects for the freeing of operating restrictions, and operation of a stock share system.

The "Enterprise Law" is to be diligently carried, further authority delegated to enterprises, plant manager responsibility systems perfected, with the central position of the plant manager (or director) in management of enterprise production established, and the role of trade unions and staff members and worker representative assemblies brought into full play for further reconciliation of relations among the party, government, and workers within enterprises. The "Central Committee Notice On Strengthening of Ideological and Political Work Among Staff Members and Workers" is to be conscientiously put into effect in the reform of ideological and political work in enterprises. The legal rights and interests of enterprises are to be protected, the separation of government administration and enterprise management is to be fully instituted, and administrative interference reduced to enable enterprises gradually to shape mechanisms that permit them to take the initiative in operations, bear responsibilities for their own profits and losses, and be self-restricting. All enterprises are to

resolutely carry out a series of policy actions for improving the economic environment and rectifying the economic order; strictly enforce financial and economic discipline, put a stop to all unhealthy tendencies, and willingly accept the supervision and examination of industrial and commercial, price, revenue, standards and measurements, and auditing departments. All factories and mines are to intensify education in labor discipline, rigorously abide by operating rules and regulations, and make every effort to produce in a civilized and safe way.

In the course of improving the economic environment and rectifying the economic order, lateral economic links and cooperation are to be further expanded, the favorable opportunity for readjustment of the national industrial structure seized, and vigorous efforts made to import capital for the development of resources as the needs of autonomous region economic construction require. Advanced technology, managerial experience, and well-known products should be imported, the technical transformation of enterprises, improvement of product quality, and the commodity self-sufficiency rates improved, a good job done in enlivening material cooperation and commodity exchanges as production and daily life urgently require, and effective supply increased.

The currently favorable international situation should be used to the full, and efforts made to hasten the pace of opening to the outside world. Reform of the foreign trade system should be further deepened, and the dual trade contract operations responsibility system consolidated and perfected. All policies for the encouragement of exports should continue to be carried out, and the enthusiasm of foreign trade enterprises, production enterprises, and all local governments should be aroused. Control over sources of supply of export commodities should be increased, strict control being exercised particularly with regard to traditional major export commodities. Export commodity quality should be further improved, with commercial inspection units exercising supervision, control, and examination. The makeup of export wares should be actively readjusted and optimized as changes occur in international markets. For the most part, there should be a gradual turning away from the export of raw and processed materials and primary level products, toward the production of finished goods and finely processed manufactures, and from mostly low quality and low value products to primarily high quality and high value products. In addition to consolidating and developing the Hong Kong-Macao and southeast Asian markets, markets in the United States, Japan, western Europe, northern Europe, the Middle East and South America should be further enlarged. The building of the two experimental districts for reform in Hulun Buir League and Wuhan City given continued attention, a firm grip taken on the building of the two land ports of entry at Manzhouli and Erlian, and secondary ports of entry opened in a planned, step-by-step way to expand the "windows" of border trade and to hasten

the development of border trade and economic and technical cooperation between the Soviet Union and Mongolia. The expansion of external project contracting and labor exports is to be continued, all dealings with the outside world centralized and strictly controlled, and confidence maintained.

#### **F. Intensify the Building of Socialist Spiritual Civilization, and Consolidate and Develop a Stable and Unified Political Situation**

Good performance in the building of socialist spiritual civilization is an important strategic policy that the central authorities have formulated. It is an important component and a powerful support for the building of a distinctively Chinese kind of socialism. With development of the socialist commodity economy and the deepening of reform, the building of spiritual civilization poses higher and more pressing requirements. Fullest use must be made of our political superiority to continue to push ahead with the building of spiritual civilization throughout the region even while intensifying the building of material civilization.

The overall need in 1989 for the building of spiritual civilization in our region is to make it a part of the realities of autonomous region reform and opening to the outside world, and the building of the economy, to follow the basic line of the party in this preliminary stage of socialism, to maintain improvement of the ideology and ethics of the citizenry as a whole and its scientific and cultural quality as the fundamental task, and to strengthen the unity of all nationalities. In addition is the use of multiple forms of education and thorough and painstaking ideological and political work to raise the awareness of the broad masses of cadres and the public to support the four basic principles; stimulation of a spirit of realism and innovation, trailblazing and enterprise, arduous pioneering work, unity and struggle to ensure the region's healthy development of an improved economic environment and a rectified economic order, and the building of reform. In actual work, education in the following four regards should be closely watched:

First is ideological education. People must be educated to take "realization of the four modernizations and the vigorous development of China" as a spiritual pillar, and to take the "building of a unified, wealthy and civilized Inner Mongolia" as a common ideal, inspiring people of all nationalities throughout the region to shape a fine ethic of love of country, love of the collective, concern for the overall situation, and making a contribution as a tremendously passionate and creative spirit in the building of reform. It is necessary to rely on thorough and painstaking ideological and political work, to encourage people to be industrious and frugal; to struggle arduously; to strive at work; to link common ideals and objectives with the development goals and work tasks of

their own region, their own department, and their own unit, and to apply them to their personal position and duties, ideals thereby becoming the concrete actions of every individual.

Second is situational education. Dialectic materialism and historical materialism concepts are to be applied to the realities of improving the economic environment, rectifying the economic order, and reform. The magnificent achievements of 10 years of reform should be publicized in a bold and assured manner; the problems and difficulties being faced today should be realistically analyzed, and means for solving and overcoming them studied; the broad masses of cadres and the public should be guided; thinking should be unified, reform correctly understood, circumstances correctly understood, and confidence in reform and opening to the outside world strengthened for further consolidation and development of a fine situation in our region.

Third is education in the unity of nationalities. The glorious tradition of a "model autonomous region" should be carried forward, thorough and sustained propaganda and education being conducted throughout the region in Marxist nationalities concepts, and the unity of nationalities should be systematized and regularized, beginning with children and conducted throughout society. Indoctrination, propaganda, and education should firmly inculcate Marxist nationalities concepts in the broad masses of cadres and the public at large, as well as a correct understanding of and implementation of the party's nationalities area autonomy policies. They should further consolidate and advance new nationalities relationships of unity, equality, and mutual assistance; inculcate the idea that all nationalities "must depend on each other"; and strengthen awareness about supporting the unity of the motherland and strengthening national unity. Nationalities' unity month campaigns should continue to be conducted, and collectives and individuals who are advanced in the unity of nationalities should be decorated. Propaganda and education should be used as part of a diligent examination of how well nationalities policies are being carried out. Where problems exist, they should be diligently and satisfactorily resolved to promote the common development and prosperity of all nationalities. Nationalities' spoken and written language policies should be conscientiously carried out, efforts devoted to studying the use and development of ethnic spoken and written languages the better to improve the level of nationalities science and culture, increase the unity of nationalities, and advance autonomous region service in building the four modernizations.

Fourth is education in democratic law and discipline. Socialist democracy should continue to be carried forward, with education to popularize the law conducted thoroughly in order to improve the awareness of every citizen about studying the law, using the law, and abiding by the law. Government at all levels and all departments are to take the lead in observing discipline and abiding

by the law, enhance understanding of the legal system, and willingly accept supervision. At the same time, they are to support and supervise judicial departments, exercise their authority in accordance with law, and uphold the solemnity of the law. They should rigorously attack and punish criminal offenders and economic offenders in accordance with the law, and steadfastly suppress and attack all despicable activities that poison the social atmosphere, such as gambling, prostitution, and the sale of drugs. They should rely on the power of society as a whole to tackle problems in a comprehensive way, strengthen social order, and jointly support good production, work, study, and order in daily life. In addition, national defense education should be bolstered to increase citizens' understanding of national defense.

In the course of improving the economic environment and rectifying the economic order, maintenance of a stable social environment is of crucial importance. Leading institutions and leading cadres at all levels should show concern for the public's livelihood, genuinely solving their real problems in production and daily life. Assistance to the needy, in particular, requires further strengthening of leadership so that after 2 years of effort, during 1989 and 1990, 90 percent of needy households will solve their food and clothing problems.

#### **G. Taking Change of Functions, Hard Work and Honesty as the Key in Making Government Better Able To Build Itself**

Improving the economic environment, rectifying the economic order, and deepening reform poses higher demands in the building of government institutions at all levels. The key lies in changing functions, intensifying macroeconomic regulation and control capabilities, strengthening the building of clean government, and improving work efficiency.

In the change of government functions, intensification of macroeconomic regulation and control should be a main ingredient. Economic, administrative, legal, disciplinary, ideological, and political work methods should be comprehensively applied to control the whole economic and social development situation. All functional departments in the autonomous region should earnestly assume the functions that government has assigned them, coordinate actions, and do a good job in effecting overall balance in the national economy, all economic movement thereby being placed on the track of macroeconomic control. Command plan control should be applied to important means of production bearing on overall economic development and important commodities having an effect on the national economy and the people's livelihood, some of them being made available only through exclusive franchise-like arrangements. Control of the use of foreign exchange and other foreign debts should be intensified, a good job done in effecting overall balance, control methods readjusted, utilization benefits increased, and the use of foreign exchange and foreign debts prevented from exceeding bearable limits.

Full use should be made of monitoring, auditing, fiscal, revenue, monetary and banking, price, industrial and commercial, standards and measurements, and business inspection departments' functions, carrying out supervision and inspections of economic activities in accordance with the law, while simultaneously intensifying checks on supervisory units to ensure the normal performance of all economic activity. Full application and full use should be made of legal methods used by lawyers and notarial organizations to provide legal services and legal support for improving the economic environment and rectifying the economic order. Government systems information work should be increased to provide data for correctly carrying out macroeconomic policies.

We certainly must resolutely carry out all CPC Central Committee and State Council plans and policies, maintaining unanimity with the central authorities in action. We have to further establish and support government work leadership authority, making sure that the law is relied upon, violations of the law are punished, and orders and prohibitions are strictly enforced. Transgressions of government discipline and government orders are to be dealt with strictly. Since it is a one-time economic readjustment, improving the economic environment and rectifying the economic order inevitably has a bearing on the existing sharing of benefits, so all jurisdictions, departments, and units should take the interests of the whole into account, and firmly implant the concept of partial interests being subordinate to overall interests.

Greater building of clean government is an important component in the strengthening of the ability of all levels of government to build themselves. It must be said that the overwhelming majority of cadres in government agencies at all levels in our region are honest in the performance of their official duties, and exercise government on behalf of the people. However, among working personnel in government agencies, a certain amount of corruption also exists. Government at all levels must pay a high degree of attention to such problems and take decisive and vigorous action for their diligent solution. They should also support the broad masses of people in a resolute struggle against such corruption.

Maintenance of honesty and opposition to corruption has to be tackled in a comprehensive way. System reform has to be taken firmly in hand, ideological education has to be intensified, and supervisory mechanisms have to be perfected. It is important that the political quality and soundness of all civil servants be improved, that rules and regulations be perfected, and that the broad masses of cadres have a strong sense of discipline and a greater sense of their role as public servants. Government at all levels and its constituent departments must act in a spirit of high responsibility to the party and to the people, strictly abiding by and taking the lead in carrying out a series of clean government regulations that the CPC Central Committee, the State Council, and the autonomous region have formulated. They should institute

administrative senior officer leadership systems, put them in place at every level, and make sure that they operate. Government at every level must consciously place itself under leadership of the party, and take the initiative in accepting supervision from people's congresses at all levels, all democratic parties and people's groups, and public opinion. They should actively promote a system of "two publics and one supervision" for a gradual increase in the transparency of the work of all levels of government and their constituent departments.

The party's fine tradition of arduous struggle and close contact with the masses should be carried forward. There should be thorough investigation and study, and the firm inculcation of ideas of service to the grassroots and service to the people. Efforts must be made to overcome bureaucratism, to improve work efficiency, to handle matters realistically, to seek practical results, and to build government into a leadership institution in which the public reposes confidence.

Delegates, the tasks that we face in 1989 are extremely daunting and complex. Working together with all nationalities for the victorious fulfillment of all tasks in 1989 is an unshirkable glorious duty. With the support of all delegates and various favorable conditions, we are even more confident of being able to complete 1989's tasks. Let us continue under the leadership of the CPC Central Committee, the State Council, and the autonomous CPC committee to carry out plans for improving the economic environment and rectifying the economic order, implement the spirit of the second meeting of the 7th National People's Congress, mobilize and rely upon people of all nationalities throughout the region, rally spirit, rouse ourselves to vigorous efforts to make the country prosperous, work as one, surmount difficulties together, present our outstanding achievements as a gift to the People's Republic of China in honor of its 40th anniversary, and struggle to establish a unified, prosperous, and civilized Inner Mongolia!

**Tianjin Financial Budget Report**  
SK 1807130089 *Tianjin TIANJIN RIBAO* in Chinese  
2 May 89 p 6

[“Excerpts” of the report on the implementation of Tianjin's 1988 financial budget and on the draft financial budget for 1989, delivered by Yue Shugong, director of the Tianjin Municipal Financial Bureau, at the 2d Session of the 11th Municipal People's Congress on 20 April 1989]

[Text] Fellow deputies:

Entrusted by the Municipal People's Government, I hereby submit a report on the implementation of the Tianjin Municipality financial budget for 1988 and on the draft of the municipal financial budget for 1989 to this session for examination and discussion.

### I. Implementation of the Financial Budget for 1988

In 1988, all economic departments in the municipality conscientiously implemented the guidelines of the 13th Party Congress and the principles of developing the economy with steady steps and in a safe manner and paid attention to improving the economic environment, rectifying the economic order, and comprehensively deepening reform. As a result, industrial and agricultural production developed in a stable and coordinated manner, the scale of commercial circulation was expanded, and new achievements were scored in both reform and construction. Based on this, the targets provided by the revenue budget were overfulfilled, expenditures basically ensured the demand for carrying out reform, construction and other undertakings, and revenues and expenditures were kept in balance. Therefore, the implementation of the financial budget could be regarded as relatively good.

With the approval of the 6th Standing Committee meeting of the 11th Municipal People's Congress, a readjustment was made for the 1988 financial budget. The implementation of the budget after the readjustment was as follows:

Revenues totaled 4,650,700,000 yuan, fulfilling the budget by 101.1 percent. Of this, revenues from various taxes totaled 4,346,760,000 yuan, or 107.7 percent of the budgeted figure; revenues from industrial enterprises totaled 653,840,000 yuan, or 103 percent of the budgeted figure; and revenues from first commercial enterprises totaled 139,720,000 yuan, or 103.5 percent of the budgeted figure. All of these figures exceeded the contracted tasks of delivery. Owing to the substantial increase in the prices for procuring meat, fresh eggs, grain crops, and coal, subsidies for making up the losses issued to the second commercial enterprises, poultry and egg companies, grain companies, and nonindustrial enterprises amounted to 779,870,000 yuan, exceeding the budgeted figure by 312,920,000 yuan. Affected by this, revenues from enterprises throughout the municipality only amounted to 13.69 million yuan, much lower than the budgeted figure. Revenues from other items totaled 34.1 million yuan, fulfilling the budget by 148.3 percent. Revenues from urban maintenance and construction taxes totaled 256.15 million yuan, fulfilling the budget by 106.7 percent.

In addition, the funds levied by the municipality for developing key energy and communications projects amounted to 494.82 million yuan, or 116.4 percent of the target assigned to the municipality by the central authorities. Of this, revenues from the portion retained by the municipality amounted to 148.45 million yuan; and revenues from subscription of treasury bonds amounted to 237.27 million yuan, or 100.5 percent of the target assigned by the central authorities.

Expenditures totaled 3,119,270,000 yuan, or 90.3 percent of the budgeted figure. Of this figure, appropriations for capital construction totaled 442.31 million yuan, or 85.9 percent of the budgeted figure; appropriations for the scientific and technological projects in three fields totaled 49.46 million yuan, or 98.1 percent of the budgeted figure; funds for aiding agriculture totaled 144.9 million yuan, or 83.1 percent of the budgeted figure; funds for urban maintenance and construction totaled 527.43 million yuan, or 98.4 percent of the budgeted figure; appropriations for developing cultural, educational, and public health undertakings totaled 723.09 million yuan, or 95.4 percent of the budgeted figure, of which, expenses in educational undertakings totaled 417.53 million yuan, or 97.5 percent of the budgeted figure; expenses in administrative operation totaled 126.88 million yuan, or 92.7 percent of the budgeted figure; appropriations for public security organs, procuratorial organs, and people's courts totaled 100.46 million yuan, or 97.3 percent of the budgeted figure; funds for subsidizing the prices of nonstaple food supplied to residents totaled 137.01 million yuan; and funds for subsidizing the prices of grain, cotton, oil, and coal totaled 469.89 million yuan.

In 1988, the financial expenditure budget was offset by the final accounting of expenditure. There was a cash surplus of 334.93 million yuan by the end of the year. Of this sum, 154.34 million yuan came from the year-end surplus of the municipal-level financial department, including a cash surplus of 122.71 million yuan from items carried over from the previous year, a surplus of 29.12 million yuan from the contracted operating funds of administrative units of establishments, and a net financial surplus of 2.51 million yuan; and 180.59 million yuan came from the year-end surplus of the district- and county-level financial departments, including a surplus of 66.20 million yuan from items carried over from the previous year, a surplus of 25.89 million yuan from the contracted administrative funds of administrative units of establishments, and a net financial surplus of 88.5 million yuan.

The 1988 financial budgets were arranged under circumstances in which there were many factors for increasing revenues and reducing expenditures. During the implementation of these budgets, the prominent changes in revenues were: Enterprises' income exceeded the deficit target by 312.92 million yuan because the subsidies for deficits greatly increased; the tax revenues exceeded the target by 312.51 million yuan, an increase of 8.9 percent over the previous year, thus basically keeping pace with the development of production. The increase in tax revenues thus guaranteed the overfulfillment of our municipal financial revenues. In expenditures, in order to guarantee the priorities, and in a situation in which there was a shortage of financial funds, we collected funds from various quarters and increased investment in agriculture, education, and public health. We spent 144.9 million yuan to support agriculture, an increase of 16.9 percent over the previous year. In addition, all units

also raised a fund totalling 30 million yuan to develop meat production bases and thus supported the production of nonstaple foods. In educational undertakings, we spent 417.53 million yuan, an increase of 23.8 percent. Furthermore, we collected funds for educational undertakings in the urban areas and spent an extra fund of 29.5 million yuan for this purpose, and raised a fund totalling 50.04 million yuan for improving the teaching conditions in primary and middle schools and for promoting the development of educational undertakings. In public health undertakings, we spent 133.38 million yuan, an increase of 1.2 percent over the previous year.

In 1988, our municipality's financial revenues declined, the demands on funds increased, and the contradictions between supply and demand were very acute. In order to ease financial difficulties, the municipal government mobilized the people throughout the municipality to make continued efforts to promote the economic structural reform, to extensively conduct a campaign to increase production, practice economy, increase revenues and reduce expenditures, to strive to increase supply and to cut back financial demands, and scored good results. In order to deepen enterprise reform, and intensify enterprise vitality, on the basis of summing up the previous year's experience in promoting the enterprise management contract responsibility system, we defined a rational contracted base figure and contract tasks and implemented the medium- and long-term contract systems among enterprises. We also made continued efforts to promote all forms of the methods of basing enterprises' total payroll on their economic performance among some state enterprises and collective enterprises in cities and towns, and further promoted reform in the internal economic accounting system and the distribution system among enterprises. In order to strengthen tax collection and management and to increase tax revenues, we conscientiously cleaned up and consolidated tax revenues in line with the spirit of the State Council General Office's emergency circular on "strengthening tax revenue work," conducted all forms of propaganda and education on the tax revenue law and systems, readjusted and improved the relevant stipulations on tax reduction and exemption, screened and consolidated tax reduction and exemption of all kinds of companies, and fulfilled on time the collection of the stamp tax and land utilization tax in cities and towns. We also conducted a general inspection on tax revenues, financial affairs and prices. By the end of last year, we discovered 260 million yuan of illicit money, of which 160 million yuan should be repaid, and some 110 million yuan had been handed over to the financial treasury. We also strengthened collection and inspection over the miscellaneous taxes of individual industrial and commercial households. Comparing to those of the previous year, the income tax revenue from individual industrial and commercial households increased 109 percent, the business tax revenue from them increased 152 percent, and the personal income regulatory tax revenues increased 230 percent. In order to promote reform of the financial and tax systems and economic development,

we conscientiously cleaned up the existing financial and tax revenue systems and improved the relevant stipulations unsuitable for economic development. To reduce expenditures and ensure the development of various undertakings, we unfailingly implemented the principle of guaranteeing some projects while curbing others, thus ensuring the increases in the wages and bonuses of staff members and workers. We increased the expenditures on agriculture, education, and public health. Conscientiously following the State Council's arrangements for reducing the investment in fixed assets, we suspended and postponed a number of construction projects. We exercised strict control over the establishment of new organs and the sizes of their staff, and made some units that had their own income be responsible for their own income and expenses, thus reducing our expenditures. We continued to cut down institutional purchases. The annual institutional purchases totaled 620 million yuan, a decline of 20.1 percent from the preceding year when allowing for the increase in price index. Of the total institutional purchases, those of the commodities under special state control dropped by 41 percent. Following the central decision on reforming the local financial system, our municipality continued the financial system of retaining a certain percentage of the total revenue, and the percentage was adjusted to 46.5 percent. After the financial system reform, the total amount of funds retained by our financial department reached the level before the percentage was reduced, thus alleviating to a certain extent our contradiction between the supply and demand of funds.

## II. Draft Budget for 1989

The 1989 budget submitted to this session for discussion has been arranged in line with the basic principle of "developing political advantages, carrying out economic adjustment with a spirit of reform, reducing expenditures, ensuring supplies, balancing the relationships between various sectors, and stabilizing the situation" as defined at the 3d (enlarged) Plenary Session of the 5th Municipal Party Committee, the plans for industrial and agricultural production and for commodity circulation, and the economic policy measures determined by the state.

In line with the state's method for formulating budget, the municipal-level budget and the district- and county-level budget have been formulated, respectively, in the 1989 budget of Tianjin Municipality.

According to the 1989 draft budget of Tianjin Municipality, the revenue is 4.657 billion yuan, slightly more than the preceding year. Of the total, the municipal-level revenue is 2.687 billion yuan, a decline of 5.1 percent from the preceding year; and the district- and county-level revenue is 1.97 billion yuan, an increase of 8.3 percent over the preceding year. The total expenditure is 3.101.980.000 yuan, an increase of 7.2 percent over the budgetary expenditure of the preceding year. Of the total, the municipal-level expenditure is 2,158,400,400

yuan, an increase of 5.2 percent over the budgetary expenditure of the preceding year; and the district- and county-level expenditure is 943,580,000 yuan, an increase of 12 percent. In addition, our municipality plans to collect 490 million yuan of funds for key energy and communications projects, of which 147 million yuan will be retained by local authorities for use in the next year according to regulations. It will issue 102 million yuan of treasury bonds to individuals, and 134 million yuan of special bonds to units, both amounts being the same as the preceding year. Meanwhile, it will issue 20 million yuan of special bonds purchased with the surplus funds of the retirement and old-age pension, and the surplus funds from the insurance for employees waiting for new jobs.

Among the budgetary revenue of Tianjin Municipality, taxes total 4,696,520,000 yuan, an increase of 8 percent over the preceding year; and the net deficit of enterprises totals 327.52 million yuan after balancing their profits and deficits, which represents an amount of 341.21 million yuan in the reduction of profits and the increase of deficits. In this way, a net deficit appears. In the income of enterprises, the income of industrial enterprises totals 635 million yuan, remaining the same as the preceding year's base figure of their profits turned over to higher authorities. The deficits of commercial enterprises total 209.02 million yuan, by and large the same as in the preceding year. The deficits of grain enterprises total 595 million yuan, an increase of 116.6 percent over the preceding year. The deficits of nonindustrial enterprises total 158.5 million, the same as in the preceding year. The revenue from other sources is 23 million yuan, and the taxes on urban maintenance and construction are 265 million yuan.

Of Tianjin Municipality's budgetary expenditures, appropriations for capital construction total 375.27 million yuan, a drop of 14.8 percent from the 1988 budget; appropriations for scientific and technological projects in three fields total 27.69 million yuan, an increase of 13 percent; appropriations for supporting agriculture amount to 155.07 million yuan, an increase of 8.9 percent; appropriations for urban maintenance and construction amount to 423.61 million yuan, a drop of 16.4 percent; appropriations for culture, education, and public health amount to 833.68 million yuan, an increase of 16.9 percent; appropriations for education account for 476.53 million yuan, an increase of 18.2 percent; administrative expenses amount to 126.80 million yuan, an increase of 14.3 percent; appropriations for public security organs, procuratorial organs, and people's courts amount to 99.68 million yuan, an increase of 27.3 percent; subsidies for prices of foodstuffs total 123.10 million yuan; subsidies for prices of grain, cotton, oil, and coal total 367.49 million yuan; and expenses in helping enterprises tap potential and conduct technological transformation and funds for simple construction total 569.59 million yuan.

The specific arrangements for increasing agricultural and educational investment and ensuring the subsidies for the people's daily necessities are as follows:

**A. The issue on increasing agricultural investment.**

To ensure the development of agricultural production, the 1989 budget arranges 11.92 million yuan for investment in agricultural capital construction, and 155.07 million yuan of appropriations for supporting agriculture. If including agriculture-aid funds, totaling 43 million yuan, collected by other fields, the total investment is 209.99 million yuan, an increase of 14 percent over the previous year.

**B. The issue on increasing educational investment.**

The 1989 budgetary expenses in education show an increase of 18.2 percent over the previous year, higher than the revenue growth rate. If calculated in terms of the per capita educational expenses of the total student body, the 1989 budgetary expenses in education also increase. Of this, personnel expenses amount to 317.25 million yuan, an increase of 18.4 percent; and appropriations for public utilities amount to 159.28 million yuan, an increase of 17.6 percent. Besides, the additionally arranged urban educational funds collected by the municipality total 57 million yuan, about 100 percent increase over the previous year.

**C. The issue of ensuring subsidies for people's daily necessities.**

To ensure the normal supply of people's daily necessities, the financial subsidies granted by the government annually increased over the past few years. The total financial subsidies reach 2.6 billion yuan, an increase of 600 million yuan. Of this, 1.55 billion yuan are subsidized for the losses in supply of grain, oil, meat, eggs, vegetables, civilian-use coal, coal gas, and tap water, and bus service, an increase of 400 million yuan over 1988. The budgetary subsidies for the losses are calculated in terms of the lower purchasing prices at the beginning of this year. It will be very difficult to control the subsidies within budget due to the continuous rise of purchasing prices. Along with the increase in the amount of subsidies, the financial burden is getting increasingly heavy. However, there exist problems, such as serious losses and wastes, the outflow of commodities whose supply is subsidized, and the people who should not be subsidized enjoying subsidies. Thus, all departments concerned should adopt effective measures to conscientiously solve these problems.

**III. We Should Have Firm Confidence, Meet Difficulties Head-On, and Strive To Fulfill the Budgetary Tasks**

The municipality's financial situation is extremely severe this year. The contradictions between the supply and demand of funds become increasingly prominent.

To alleviate the financial difficulties, we should attend to developing production, increasing revenues, and reducing demands and expenditures.

**A. We should improve the economic environment, rectify the economic order, increase effective supply, and cut back the excessive demands.**

Improving the economic environment and rectifying the economic order is a readjustment in essence. All departments and units should conscientiously implement the basic principle defined by the municipal party committee, do a good job in improving the economic environment and rectifying the economic order with the spirit of reform, and comprehensively deepen reform in the course of improvement and rectification. We should consider increasing effective supply, cutting back social demands, and realizing an overall balance in the total social supply and demand and in the structure of social supply and demand as a target, conscientiously analyze the economic situation, grasp favorable opportunities, strive to successfully carry out economic and financial work, and promote a sustained and steady development in the national economy. In the course of improvement and rectification, we should accelerate the readjustment of industrial set-up and product mix, give priority to supporting the production of products in short supply, daily manufactured goods that are closely related to the people's livelihood, and nonstaple foods, restrict and eliminate the production of products that consume lots of materials, are poor in economic results, and lack vitality. We should ensure market supply of people's daily necessities, stabilize people's living, and reassure people's feelings. In addition, we should liquidate and consolidate all kinds of financial subsidies, implement the effective policies on giving subsidies, reduce losses and waste in subsidizing commodities, and cancel ineffective subsidies. We should consolidate the order of circulation, and the important commodity circulation methods, strictly implement the state price policy and the method of managing products under exclusive state control, stop illegal operations, promote normal and rational flow of commodities, and prevent losses of revenues. We should readjust the expenditure structure, gradually solve the problems of having revenues cover too many expenditures items, and having poor results in the use of funds, readjust the expenditure structure, cut back nonproductive items, accelerate the construction of key items and intensify the momentum for economic development.

**B. We should deeply conduct a campaign on increasing production, practicing economy, increasing revenues and reducing expenditures, strive to develop production and raise economic results.**

Persisting in increasing production, practicing economy, increasing revenues and reducing expenditures is the foundation for doing a good job in economic and financial work and is of great significance in fulfilling this year's financial budgetary tasks. The emphasis of this

campaign is: First, we should strive to develop production, expand commodity circulation, enable the national economy to keep a proper scope of increase, realistically solve the problem of the shortage of coal, electricity, and funds, and realize the planned demands of increasing industrial production by 5 percent and the retail volume of social commodities by 15 percent. Based on economic development, we should raise economic results, and strive to increase revenues. Second, we should conscientiously implement the "enterprise law," and the "accounting law," firmly grasp the basic work of enterprise management, strengthen financial supervision, and tap internal potential. In line with state demands, we should reduce the consumption of raw materials and energy of state industrial enterprises by 1 percent, and the enterprise management funds and workshops operating funds by 10 percent. The commodity circulation funds of commercial enterprises should also be relatively reduced.

C. We should consolidate the order of tax revenue, strengthen collection, management and inspection, and guarantee a steady increase in tax revenues.

Strengthening the collection and management of tax revenues is one of the important tasks of improving the economic environment and rectifying the economic order, and is the key to guaranteeing the fulfillment of the municipal financial revenues. This year, we should conscientiously carry out the work of liquidating and consolidating tax reduction and exemption. No product tax or value-added tax reduction or exemption should be given to enterprises engaging in the operation of 31 varieties of products such as cigarettes, wine, timepieces, refrigerators, and airconditioning devices. No product tax, value-added tax and income tax reduction and exemption should be given to eight types of small enterprises including small distilleries, cotton mills, and timber processing plants. No tax reduction and exemption should be given to low-profit enterprises. All types of companies that originally enjoyed tax preferential treatment should pay taxes in line with the law. Towards money-losing enterprises, we should exercise strict control over tax reductions and exemptions. We should adopt effective measures to strengthen the collection and management of scattered tax revenues, further strengthen the management of receipts, and strictly implement the system on receiving and using receipts. Individually run industrial and commercial households must use the unified receipts printed and made by tax organs. Those individually run industrial and commercial households that have a certain business scale must have their account books. With regard to tax collection and management, different methods should be adopted for different trades. Towards the trades with a high level of profits, their income tax should be deducted by wholesale units on a commission basis. For the regulatory personal income tax, it is necessary to establish the system of declaring the taxable income to departments concerned, and should encourage taxpayers to voluntarily declare their taxable income to departments concerned in order to strengthen the control over the source

of taxes. When giving taxable income to individuals, all units must issue special receipts to them and should be responsible for deducting taxes from their income and acting as a commission agents for them to pay taxes. Tax coordination and protection organizations with the participation of the masses should be established and strengthened throughout the municipality in order to set up an effective network to protect tax collection and management.

D. We should intensify the management of budget, retrench financial expenditures, and ensure the demands of key projects.

All departments and units must foster firm ideas of arduous struggle, hard work, and thrift; and should be ready to lead a tight life for some years. Financial departments at all levels should ensure the appropriations for remunerations to workers and staff members and for price subsidies; and should ensure that the funds for public use of educational departments will not be lower than the increase rate of the price index, and ensure that the funds for public use of other departments will not be higher than the level of the previous year. After the fiscal budget is defined, no supplementary budget will be made if there are no special cases. All departments and units should make appropriate arrangements for their expenditures within the limits of the fiscal budget in order to ensure the demands of reform, construction, and other undertakings. To retrench expenditures, it is necessary to exercise strict control over the expenses in holding meetings and making official trips. When holding meetings or going away on study or visits, one must make a report to and get approval from higher authorities. The newly added organs and employee quotas should be put under strict control; and no administrative appropriations should be given to above-quota organs and employees. Strict control should be exercised over the newly added vehicles and petroleum consumption and over institutional purchases. This year, the institutional purchases should be curbed by 20 percent from those of the previous year. Those units whose institutional purchases exceed the specified quotas and which sell and purchase the commodities under special state control should be punished according to regulations. Through the endeavor of all fields, we should bring this year's operational expenditures within the scale fixed by the budget.

E. We should give play to the political advantages, strengthen economic management, and strictly enforce financial and economic discipline.

In the course of improving the economic environment and rectifying the economic order, all units should exploit the political advantages, pay attention to ideological and political work, carry forward the fine traditions of arduous struggle and being honest in performing official duties, strengthen the sense of law and discipline, and strictly enforce financial and economic discipline.

and the financial system. All law enforcement departments and all economic management departments should strengthen the building of the legal system, perfect systems and regulations, intensify the building of contingencies, handle affairs in strict accordance with laws, exercise strict supervision over finance, and enhance the ability of regulating and controlling macroeconomic development. We should regularly conduct inspections of tax, finance and price affairs, should investigate and deal with cases of financial and economic discipline violations in a timely manner, should deal stern blows to tax evasion and other economic crimes, and should give play to the role of tax revenues in regulating the economy and the social distribution in order to ensure the smooth progress of the improvement of the economic environment, the rectification of the economic order, and the comprehensive deepening of reform.

Fellow deputies! At present all fronts in the municipality are positively implementing the principles of improving the economic environment, rectifying the economic order, and comprehensively deepening reform; and are vigorously realizing the plans on increasing production, practicing economy, increasing revenues, and curbing expenditures. We believe that under the leadership of the municipal party committee, and through the concerted efforts of the people throughout the municipality, we will surely be able to overcome all difficulties and satisfactorily fulfill this year's task on the financial budget.

**Tianjin Socioeconomic Plan**  
SK1207113089 Tianjin TIANJIN RIBAO  
in Chinese 29 Apr p 2

[Tianjin report on implementation of the 1988 national economic and social development plan and the 1989 draft plan for national economic and social development delivered by Li Shenglin, chairman of the Municipal Planning Committee, at the 2d Session of the 11th Municipal People's Congress on 20 April 1989]

[Text] Fellow deputies:

Entrusted by the Municipal People's Government, I submit a report on the implementation of the 1988 Municipal National Economic and Social Development Plan and arrangements for the 1989 plan to the session for examination and discussions.

**I. Implementation of the 1988 Plan**

In 1988, the municipality ensured a sustained and stable increase in the national economy and made new achievements in all social undertakings thanks to the fact that the broad masses of cadres and the people worked arduously and kept forging ahead conscientiously in line with the guidelines of the 13th CPC Congress and the municipal party committee's principle of stability, steadiness, and reliability. Generally speaking, the report on the implementation of the 1988 Municipal National

Economic and Social Development Plan approved at the 1st Session of the 11th Municipal People's Congress was good. The GNP was 25.2 billion yuan, fulfilling the annual plan by 107.2 percent. If calculated in terms of comparable prices, it showed an increase of 6.5 percent over the previous year. The national income was 21 billion yuan, fulfilling the annual plan by 105 percent. If calculated in terms of comparable prices, the increase was 5.5 percent. The total industrial and agricultural output value was 45.986 billion yuan, fulfilling the annual plan by 110 percent and showing an increase of 18 percent. The main characteristics in the implementation of the 1988 national economic and social development plan were as follows:

**A. Industrial production developed steadily and the product mix was further readjusted.**

The total industrial output value was 36.256 billion yuan, fulfilling the annual plan by 105 percent and showing an increase of 11.3 percent (if including the output value realized by industry at or below the village level, the total industrial output value was 44.076 billion yuan, an increase of 18.4 percent). The quality of products improved, energy consumption was reduced, and labor productivity was upgraded to a new level. The proportion of quality products made by the industrial enterprises subordinate to the municipality rose from 34.3 percent in 1987 to 36.9 percent in 1988; their energy consumption for per 10,000 yuan worth of output value was reduced by 5.8 percent; and the labor productivity of state industrial enterprises reached 26,915 yuan, an increase of 7.5 percent over the previous year. New progress was made in readjusting the product mix. The production of readily marketable products increased by a big margin. The production of 200 famous-brand products and those in short supply whose sales were managed by the municipality increased by 18 percent. Of the 19 daily industrial necessities, most increased and their supplies were basically ensured.

**B. The municipality reaped bumper agricultural harvests, and the production and supply of foodstuffs increased by a big margin.**

The total agricultural output value was 1.91 billion yuan, showing an increase of 9 percent and substantially exceeding the planned target of 4 percent. Despite the numerous natural disasters, the grain output was 1.58 billion kg, overfulfilling the planned target. The production of major foodstuffs was notably better than in previous years.

**C. The municipality set a record in foreign export trade and made new progress in using foreign investment.**

The value of exports through ports was \$1.683 billion, an increase of 10.9 percent. The value of commodities purchased for exports totaled 3.724 billion yuan, accounting for 107.2 percent of the annual plan and showing an increase of 7.1 percent over the previous

year. The export commodity structure improved. The proportion of finished industrial products rose from 80.5 percent in 1987 to 81.8 percent. Comparatively rapid progress was made in developing trade in processing and assembling supplied materials, trade in imported materials for processing, and compensation trade. Nontrade foreign exchange earnings increased.

The pace of using foreign capital was accelerated. The real use of foreign capital in the whole year was 344 million yuan, an increase of 18.7 percent, reaching a peak level. A total of 30 foreign-invested enterprises opened business during the year. There were 165 enterprises of this kind in the municipality. The majority of these enterprises were well managed and basically struck a balance between foreign exchange earnings and expenditures. Through the efforts made during the year, the municipality made overall arrangements for the special program of using \$1 billion in foreign investment. New progress was made in the construction of the economic and technological development zone. The infrastructural facilities and the service and auxiliary projects in the zone's 3-square km industrial area and 1.2-square km living area were basically improved. The total industrial output value of the zone was 365 million yuan in 1988, approximately doubled.

**D. The investment structure improved somewhat, and the construction pace of key projects was quickened.**

The scale of investment in fixed assets was brought under control. A total of 6.86 billion yuan of investment was made in fixed assets throughout the municipality, an increase of 6.7 percent over the previous year. Of this, 4.39 billion yuan of investment was made by the localities, an increase of 1.7 percent over the previous year, much lower than the national increase rate of 18.5 percent. In the investment throughout the municipality, the proportion of investment in productive projects rose from 72.7 percent in 1987 to 74.5 percent in 1988, and the proportion of investment in energy resource projects registered an increase of 28 percent. The 112 key capital construction and technological transformation projects which had been defined at the beginning of 1988 (including 24 large and medium-sized projects) were all built at planned speed.

**E. Remarkable achievements were made in transport, post, and telecommunications, and basic urban facilities were strengthened.**

The capacity of communications and transportation was further strengthened. After the rebuilding of the Tianjin railway key project, Tianjin Station extended the marshalling of passenger trains and improved the capacity of waiting rooms and the capacity of freight transportation. The handling capacity of harbors was a record high, or showing an increase of 22.3 percent over the previous year. Post and telecommunications kept progressing. A total of 3.1 million square meters of residences were newly built or renovated. The municipality basically

completed the rebuilding of the nine major radial roads, thus linking up the "three ring roads." The centralized heating system for urban areas was extended gradually. New headway was made in building villages and towns. The work related to public utilities, gardens, afforestation, environmental protection, and environmental sanitation was strengthened gradually. The appearance of the city and the environmental quality as a whole improved further.

**F. The revenue target was overfulfilled and the banking business developed further.**

In 1988, despite substantial price hikes in the means of production, the reduction in the goods and materials under unified state distribution and the increase in the subsidies for making up the losses sustained from selling grain, meat, and eggs, the municipality fulfilled 4.65 billion yuan in revenues, 50 million yuan more than the budgeted figure. Budgetary state-run industrial enterprises overfulfilled the contracted tasks for profit delivery and repaying loans with profits. Financial expenditures increased by 7.8 percent over the previous year. Of this, educational allocations increased by 23.8 percent, agricultural-aiding allocations increased by 16.9 percent, and scientific and technological allocations increased by 17.5 percent.

Facing a serious shortage of funds, banking departments persistently sought flexibility amid retrenchment, guaranteed key projects while restricting non-key ones, supported the construction of urgently needed projects, strengthened service, tried by every possible means to tap potentials for funds, and strove to relieve the contradictions between money supply and demand. All savings deposits, the increased volume of loans, and the net money supply were brought under the state-assigned targets. The insurance service was further developed and expanded.

**G. Science, education, culture, and public health undertakings developed further, thus promoting the building of material and spiritual civilizations.**

New achievements were scored in science and technology, and the capacity of turning scientific and technological achievements to productive forces was strengthened. A total of 207 scientific and technological research projects passed appraisals, of which 11 originated in the world, 39 reached advanced international levels, and 114 reached advanced domestic levels. New progress was made in high and new technological industries such as computer science, optical fiber communications, program-controlled telephones, and numerical controlled machine tools. Science and technology markets were "lively," the "spark plan" was implemented further, and the development of township enterprises was accelerated.

The educational structure has continued to improve. The enrollment of institutions of higher learning throughout the municipality increased by 6.5 percent over the previous year, of which the enrollment of local institutions increased by 8 percent. Professional and technical education developed rapidly. The multilevel, multispecification, and multitype system was initially carried out in adult education. The conditions for running primary and middle schools improved further. The rebuilding and expansion of 15 primary and middle schools and kindergartens were completed. Nineteen towns and townships in suburban counties first realized the system of 9-year compulsory education. Medical treatment and public health facilities continued to increase. A total of 2,269 hospital beds were newly added (of which 850 were added by capital construction projects). Family planning was strengthened. The birthrate was controlled within the plan. New headway was made in all culture, sports, broadcast, film and television, press, and publication undertakings.

#### H. Markets were comparatively stable and the people's living standards continued to improve.

Under the circumstances that market demands remained vigorous, various quarters adopted effective measures to strengthen price control, increase the supply of essential products, and strengthen management of market commodities, thus continuously maintaining market stability and the normal supplies of daily necessities for the people. The municipality's subsidies for grain, oil, coal, nonstaple foods, and public transportation, which had a bearing on the residents' everyday life, showed an increase of 44.6 percent over the preceding year. The retail price index rose by 17.7 percent, lower than the national average. The total volume of commodity retail sales grew by 26.7 percent over the preceding year. Most residents in urban and rural areas experienced improvement in their living standards. The total wage of the staff members and workers throughout the municipality increased by 21.2 percent over the preceding year, of which bonuses rose by 27.1 percent. The average annual per capita wage of staff members and workers rose by 21.1 percent, and the per capita net income of peasants by 18.9 percent. The 20 major jobs to improve the living standards of urban and rural people decided by the municipal government at the beginning of the year were completed on schedule.

While achievements were scored in the national economy and various other undertakings, some problems still existed. Major ones were as follows: Price rises were rather high, the actual living standards of some urban residents declined, and the increase in urban and rural savings deposits showed a decrease from the preceding year, due to increases in the prices of raw materials and fuels, and due to mismanagement, some enterprises suffered a decline in their profits and an increase in their deficits; following market changes, the industrial structure remained very irrational, and the adjustments of the industrial structure and product mix still could not meet the needs in the changes of the situation.

After the 3d Plenary Session of the 13th CPC Central Committee, the municipal party committee further put forward a principle of stabilizing the market, prices, and the people's feelings, and then stabilizing the overall situation, and adopted resolute and effective measures to comprehensively start the endeavor of improvement and rectification. In the 6 months afterwards, construction projects were straightened out to reduce investment in fixed assets; consumption funds were brought under control to reduce institutional purchases; industrial and agricultural production were developed in a stable manner to increase the supply of essential products, and various types of companies were cleaned up and straightened out, and inspections were conducted on 10 areas, such as tax returns, finances, prices, credits, and cash. Some chaotic phenomena in economic activities began to be improved, markets were fairly stable, price rises slowed down, the people felt relieved, and savings deposits picked up. As was proven in practice, the central policy decision on improvement and rectification, and the specific arrangements of the municipal party committee were totally correct. However, these were only initial achievements, and our future tasks remained arduous. We should continue to unswervingly implement the central policy of improvement and rectification to open up a new situation in the national economic and social development of our municipality.

#### II. Major Targets and Tasks of the 1989 Plan

The year 1989 is an important year for improving the economic environment and rectifying the economic order. With the further implementation of the policy of improvement and rectification, and with the relations between various sectors brought into better balance, a good environment will be created gradually for a stable and coordinated development of the national economy. In the process of improvement and rectification, new situations and new contradictions, and even problems beyond our expectation will also emerge. The task to control prices remains very arduous, the supplies of funds, energy resources, raw materials and foreign exchange are very strained, the various factors restricting economic development have increased notably, and arrangements for this year's plan are more difficult than in any prior years. In view of the aforementioned situation, the major targets and basic tasks of the 1989 plan are to reduce demand, to restructure the economy, to increase the supply of essential products, to improve economic results, to maintain a stable and coordinated development in the national economy, and to lay a solid foundation for a new development in the future in line with the guidelines of the 2d Session of the 7th National People's Congress, and the requirement put forward by the municipal party committee for developing the political advantage, successfully carrying out the endeavor of improvement and rectification with the spirit of reform, reducing expenses, ensuring supplies, balancing the relations between various sectors, and stabilizing the situation, and with stabilizing commodity prices as the central task.

Major targets arranged in the 1989 plan are as follows:

- The GNP totals 27.3 billion yuan, an increase of 5 percent over the preceding year in terms of comparable prices, and the national income totals 22.6 billion yuan, an increase of 4.5 percent in terms of comparable prices.
- The industrial output value totals 38.069 billion yuan, an increase of 5 percent (including the 47.062 billion yuan of the industrial output value of the units at and below the village level, which represents an increase of 6.8 percent), and the agricultural output value totals 1.986 billion yuan, an increase of 4 percent.
- The exports through foreign trade ports total \$1.562 billion, commodities purchased for exports by our municipality total 3.5 billion yuan, and foreign capital to be used totals \$356 million.
- Revenue totals 4.657 billion yuan.
- The scope of local investment in fixed assets is kept within the planned quota assigned by the state.
- The index of retail prices is notably lower than in the preceding year.

Major specific tasks of the 1989 plan are as follows:

A. We should unfailingly stabilize market prices and strive to increase the supply of essential products.

Stabilizing market prices is the major goal of the endeavor of improvement and rectification, and also a central task in this year's plan. To fulfill this task, the key lies in strictly controlling prices, increasing and improving the supply of essential products, and making commodity circulation successful.

First, we should unfailingly stabilize the prices of the daily necessities for the people. We should strictly control the prices of the products closely related to the people's lives, and the charges of the service trade. We should enforce the system of application for fixing and adjusting prices, or the system of submitting report before prices are adjusted to deal with the prices of industrial goods for daily use, which have been deregulated, and which are closely related to the people's lives. We should fix price ceilings, when necessary, for the vegetables, aquatic products and fruits sold in farm product markets or the markets where stalls are set up in groups. We should strictly supervise and inspect market prices, and establish and improve the rules and regulations for the management of farm product markets, markets where stalls are set up in groups, and individual peddlers. We should continuously correct and eliminate any deeds that raise prices at random, dominate the market through cheating, force people to buy or sell, and resell goods illegally. We should strictly investigate and handle any deeds that violate price and supply policies.

Second, we should increase the production and supply of farm and sideline products in line with the requirement for developing the suburban economy. According to the arrangements of the plan, grain output is 1.5 billion kg, an increase of 3.4 percent over the plan of the preceding year, and cotton output is 15,000 tons, of which 12,500 tons will be purchased. The output of meat, eggs, milk, and aquatic products will also increase at varying degrees over the plan of the preceding year. The acreage of marketable vegetables will be expanded to 236,000 mu, and the proportion of the vegetables at protected prices will increase from 55 to 70 percent. To attain the aforementioned targets, we should 1) strictly control the use of arable land for nonagricultural purposes, and the land which is laid idle, stabilize the existing grain area, pay attention to scientific farming, popularize applicable techniques for increasing production, and increase grain output; 2) adopt effective measures to encourage an increase in cotton production and purchases, 3) continue to pay close attention to construction of state and collective base areas for production of vegetables, meat, eggs, and poultry; 4) strengthen management of the production and marketing of farm and sideline products, and strengthen planned purchases to ensure timely and balanced supplies, and 5) conscientiously carry out the method of linking the supply of the major means of agricultural production to the purchases of farm and sideline products to ensure the purchases of farm and sideline products and their supplies to markets.

Third, we should strive to increase the production of industrial goods for daily use, and scarce commodities. The production of the 19 kinds of industrial goods for daily use to be supplied to our municipality should be carried out through mandatory plans. The production of scarce products and products that can withdraw more money from circulation, totaling 20 kinds, will be increased at varying degrees according to the plan, and the output value they create will be 18 percent higher than in the preceding year. Arrangements have also been made for the minor commodities of which production is sensitive, and in which many fields are involved.

Fourth, state commercial enterprises should bring into full play their dominant role in controlling prices of goods and regulating markets, enliven the circulation field, and improve commodity supplies. We should continue to firmly attend to the import of grain, sugar, and the daily industrial goods in short supply, and continuously regulate and enliven the market. The volume of retail sales of commodities in 1989 should increase by 15 percent over the previous year. Retail-sales commerce should organize and establish connections between purchases, sales, distribution, and transportation; strictly enforce supply policies, and ensure the supply of the commodities that are sold according to coupons and certificates, and 15 daily necessities, such as salt, soy sauce, and vinegar.

B. We should continue to readjust the industrial structure and maintain a stable increase in industrial production.

Firmly attending to the readjustment of the industrial structure is an important way for upgrading the quality of industry and the industrial front's economic results, and for preventing the occurrence of economic stagflation in the course of improving the economic environment and rectifying the economic order. In accordance with the requirements of the government work report adopted at the 1st Session of the 11th Municipal People's Congress, we should continue to accelerate the readjustment of the industrial structure with the focus on developing the three leading industries, including the auto industry, electronics industry, and petrochemical and marine industry; 10 key trades, including mechanical equipment, the fine chemical industry, and durable consumer goods, and 60 kinds (categories) of major products so as to gradually gain advantages of having key industries and products. In arranging the plan, we should focus on supporting the development of basic raw material industries, the industries with capacity of increasing effective supply, and some new- and high-technology industries according to the "State Council's Decision on Priorities of the Current Industrial Policies" and the municipality's actual conditions. Meanwhile, we should strictly control the production of the ordinary processed industrial products with high energy consumption, low added value, backward production technology, and reduced market demands. It is necessary to control and stop the production of 35 kinds of products, including poor functioning and unsalable ones and ones whose consumption outstrips living standards.

Township industrial enterprises should further be consolidated and developed through readjustment. Township enterprises should concentrate efforts on developing the products to support large industries, using local raw materials to develop products with good economic results, developing export products and foreign exchange-earning products, and agriculture-aid products. We should strictly control the production of the products with serious pollution, high energy consumption, and more material consumption.

In readjusting the industrial structure, we should carry out special policies according to the order of the development of industries, and pay attention to optimizing the distribution of natural resources. We should link the readjustment of industrial structure with technological transformation so as to make technological transformation, technological imports, and the use of foreign capital developing closely in line with the targets and priorities of readjustment. A group of enterprises producing low-quality products, ones without great vitality, and small-profit ones should be closed down, forced to manufacture other products, or merged with other enterprises. Through readjustment, we should have the surplus workshops, equipment, and personnel to support the development of key industries and key products.

C. We should positively expand foreign export trade and accelerate the pace of using foreign capital.

To fulfill the contracted task for handing over foreign exchange to higher levels and to obtain the municipality's portion of foreign exchange, we should strive to ensure that the value of exports through ports in 1989 should be higher than that of last year, and strive to purchase more than 3.7 billion yuan worth of commodities for exports. This year, the municipality has comparatively great difficulties in developing its foreign export trade. So, fulfilling the aforementioned tasks will be extremely arduous. We should adopt such major measures as follows: 1) We should make vigorous efforts to readjust the export product structure and form, in a step-by-step manner, a system of export products with high quality, high technological level, big added value, and high foreign exchange earnings, 2) we should positively develop the export of the products to be processed with raw materials provided by foreign firms, vigorously develop the trades in processing and assembling with materials and specifications provided by foreign firms compensation trade, and import-based export, and alleviate the strains on funds and raw materials, 3) we should strive to expand the sources of export goods. We should make an overall plan to make a good distribution of the commodities to be sold at home and abroad. It is necessary to strengthen the contacts and cooperation with inland, and assimilate and organize increasingly more goods from other places, and 4) industrial and trade fronts should make concerted efforts to reduce the exchange rate of foreign currencies, to reduce losses, and to upgrade foreign exchange earnings.

We should further expand the scale of using foreign capital. There are more items on using foreign capital during this year. So, the task for using foreign capital is heavy. So, we should accelerate the construction speed of projects, complete these projects according to schedule and have them bring their functions into play as immediately as possible. The items that have been signed should persistently be completed. We should strive to sign, as early as possible, contracts on export items that are in keeping with the industrial policies and the standards for exports and foreign exchange earnings only when the talks on the contracts were held to a certain degree. Meanwhile, we should continue to expand clues for developing a group of new items, attend to pre-phase preparatory projects, strive to increase the number of projects to be reserved.

We should further improve the investment environment and attract still more foreign traders, our compatriots in Hong Kong, Macao, and Taiwan, and overseas Chinese residing abroad to initiate Sino-foreign joint venture, cooperative, and foreign-invested enterprises. We should continue to improve the efficiency of the investment service centers for foreign countries and conscientiously solve the practical problems of Sino-foreign joint venture, cooperative, and foreign-invested enterprises. We should encourage the development of foreign-invested enterprises. We should continue to build up the economic and technological development zone, and encourage the enterprises in the development zone to cooperate

with the enterprises in the city proper and suburban counties in order to bring along and expand export and give full play to the "window" role of the development zone.

**D. We should strictly control the scale of investment and ensure the construction of key projects.**

Controlling and curbing the scale of investment in fixed assets is an important part of improving of economic environment and rectifying the economic order. Since the beginning of this year, the state has put the scale of investment in fixed assets under the control by the whole society, and exercised control over the investment made by collectives and individuals which were also channeled into the scale of investment. Of this, the investment made by state-owned units has been subject to the mandatory planning, and the investment by collectives and individuals has been subject to guidance planning. Because this year the state has assigned the municipality to curb the scale of investment by a relatively big margin, it is difficult for the municipality to initiate some projects which should be initiated, and the task for curbing the scale of investment is very arduous. Therefore, we should be determined to continuously clear up those projects which are under construction, and should particularly curb the building of office buildings, auditoriums, guesthouses, and hotels. For those projects whose construction has already been stopped, their construction plans must be withdrawn; and for those projects whose construction has been suspended, their construction should not be restored within 2 years. We should formulate and gradually perfect the methods of regulating and controlling the investment in fixed assets and give guidance and restriction to the investment behavior of all fields. In line with the state policies on industries, we should readjust investment structure, make good arrangements for the limited funds, and guarantee or restrict the projects as warranted. We should exercise strict control over the newly started projects. Those projects whose construction is forbidden by the state must not be started, and those whose construction is allowed should also strictly enforce the examination and approval system.

In line with the investment scale assigned by the state, on the basis of screening projects under construction, the municipality has emphatically made arrangements for building agricultural and educational projects; energy, transport, and basic raw materials industrial projects; foreign capital utilization projects; the urgently needed urban basic facilities; and the projects aiming at improving the people's living standards. Despite the extremely serious shortage of building funds, the municipality has earmarked more investment for agricultural and educational projects. The investment earmarked for building agricultural projects has increased by 14 percent over 1988. The agricultural investment made by pertinent central departments and by our municipality as well as the bank loans for aiding agricultural development have

also increased to some extent. Educational investment has increased by 8.6 percent, which will primarily be used to make education universal.

This year's scale of investment in fixed assets assigned by the state to our municipality has already been issued to various departments. So long as all departments make arrangements for their projects in strict accordance with the approved scale, and implement the responsibility system at all levels, it will be able for the municipality to control the total scale of investment in fixed assets within the planned target.

**E. We should accelerate scientific and technological progress and the training of talents, and should promote the development of science, education, culture, and public health.**

We should closely combine scientific and technological work with economic development and actually give play to the role of science and technology as the primary productive forces. This year the focal points of scientific research are accelerating the mastery, application, and further development of the imported technologies by closely centering on the readjustment of industrial and product structure, giving prominence to solving key scientific and technological problems for the 30 key developmental products and the 30 key products under research, strengthening the intermediate experiments for demonstrating projects, and striving to yield more research achievements which will be turned to productive forces quickly. We should positively adopt advanced and feasible sciences and technologies to popularize the application of the technologies for saving and developing energy resources, water resources, and important raw materials. We should continue to implement the "spark plan." We should pay attention to strengthening the research of basic sciences and high and new technologies, and gradually implement the "torch plan."

We should conscientiously attach strategic importance to education and continue to adhere to the principle that the entire society supports education, improve teaching quality, and accelerate training of personnel. Despite the very strained expenditure this year, we plan to increase educational funds by 18.2 percent over the budget of the preceding year. We should attach more importance to elementary education and improve the teaching conditions of primary and middle schools. We should promote the 9-year compulsory education and strive to make it universal in 40 townships (towns) within this year. Regarding higher education, we should adjust its structure, improve its quality, and train urgently needed personnel for society in line with the needs of developing the national economy, particularly the export-oriented economy. The number of students to be recruited by local institutions of higher learning will the same as in the plan last year. In adult education, focusing on training for specific posts, we should increase the proportion of incumbent staff members and workers among the students of adult schools.

In public health, we should continue the principle of "prevention first," organize and build grassroots disease prevention and health care organizations more quickly, and keep the annual planned inoculation rate at or above 95 percent. We should increase and improve the facilities and conditions for medical care, increase hospital beds by 800 within this year through development of capital construction, and continue to keep family-based beds at 60,000.

Our municipality is still in the third birth peak period this year, and shoulders very heavy tasks for controlling population growth. We should conscientiously pay close attention to family planning, particularly that in suburban counties and among floating population. We should greatly advocate late marriage and late childbirth, and promote health birth and sound upbringing. We should persist in having one child for one married couple and resolutely prohibit unplanned births and multiple births. The population birthrate should be kept within the state-assigned quota.

In literature and art, radio and television broadcasting, filmmaking, press, publication, and other undertakings, we should adhere to the orientation of serving the people and socialism, strive to increase their social benefit, and enable them to achieve new development in promoting the "two civilizations." In sports, while improving the facilities and the contingent of athletes, we should further develop mass sports activities to improve the health of the people throughout the municipality.

### **III. Facilitate Reform in a Stable Manner, Strengthen Macroeconomic Regulation and Control, Strive To Increase Production and Practice Economy, and Ensure the Fulfillment of the Plan**

In the process of improving the economic environment and rectifying the economic order, we should facilitate reform in a stable manner, strengthen and improve macroeconomic regulation and control, and continue the in-depth campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures. This is the most important guarantee for smoothly fulfilling the various plans for this year.

A. We should further improve and develop the contracted management responsibility system in enterprises. This is a central part of the current endeavor to deepen reform. We should continue to improve the contracted management responsibility system for various types of enterprises, and widely apply the director responsibility system, the "group management work method," and other effective management methods through earnest implementation of the "enterprise law" to strengthen the basic management of enterprises. We should continue to develop "diverse undertakings while emphasizing one," strengthen the internal construction of enterprises, and reform their labor, personnel and distribution systems. We should adopt various measures such as annexation, cooperation, and stock purchase of enterprises, and the

development of enterprise groups, to optimize the organizational structure of enterprises. Through deepening enterprise reform and the supporting reforms in other aspects, we should improve the mechanisms of enterprises for self-development and self-regulation.

B. We should strive to tap potentials for funds to ease the contradiction between supply and demand. This year the amount of newly increased loans of the banks of our municipality will decline by 26.8 percent from the actual increased amount of last year, as determined by the state. In addition, savings deposits of enterprises have dropped, making interbank borrowing difficult. The ever conspicuous contradiction between supply and demand has become an important factor affecting our municipality's current normal economic operation and its fulfillment of plans. To alleviate the contradiction between supply and demand of funds, all we can do is to base ourselves on our municipality to strive to tap potentials for funds, and exercise unified distribution and management of social funds, in addition to continuously winning the support of the headquarters of the People's Bank of China and various specialized banks. We should exert great efforts to absorb idle funds in society, increase savings deposits, and expand the resources of funds. We should issue enterprise short-term bonds to expand the flow of capital. We should take stock of and reduce the funds tied up in overstocked goods to accelerate the turnover of circulating funds. We should continue to sort out overdue loans and settle accounts of funds more vigorously. We should restructure credit to ensure some areas while reducing others, and guarantee on a priority basis the funds needed in increasing the supply of essential products. We should strengthen the management of extrabudgetary funds. We should turn some consumption funds into production funds through selling marketable housing, and issuing bonds.

C. We should optimize the use of energy resources, foreign exchange and materials to ensure key production and construction projects. In arranging this year's plan, the contradiction in the supplies of coal, foreign exchange, and several kinds of undersupplied raw materials remains conspicuous.

Regarding coal, measures such as purchasing two special trains for coal transportation, transporting by trucks, and encouraging various departments and suburban counties to organize by themselves should be adopted to ensure the transportation of both budgetary and extrabudgetary resources. In the distribution of coal, priority should be given to everyday use, the use in coal gas production, and the use in the production of the 19 kinds of products and the 20 kinds of key products closely related to the people's lives. In foreign exchange, despite the efforts to have imports serve exports, a certain amount of shortage remains. It should be resolved through the efforts to organize more processing of imported materials, to absorb regulatory foreign exchange from other localities through various channels, and to ask for more imported materials from central

departments in the process of implementing the plan. In the distribution of foreign exchange, priority should be given to the use in agricultural production, in the production of the necessities for the people, in the production of the goods essential to ensure market supply, in expanding exports, and in increasing financial resources. The distribution of foreign exchange to other areas may only be arranged according to our capacity. In raw materials, the resources distributed by the state show decreases at varying degrees from last year. To ease the contradiction between supply and demand of raw materials, we should strive to ensure that 95 percent of the resources distributed by the state are ordered and delivered. We should organize as soon as possible the order and delivery of the materials imported by local authorities. We should adjust the pattern of consumption of raw materials, and arrange it in the best possible way. We should further develop the multiform lateral association and economic cooperation, and greatly develop market resources. We should organize localities to increase production in order to raise their level of self-reliance. We should strengthen recycling of materials, and achieve successes in using substitutes for the purpose of frugality, and in multipurpose utilization of materials. We should reduce the intermediate links in the supply of materials, and exert active efforts to develop direct supply.

D. We should actually strengthen macroeconomic management and promote the coordinated development of the economy. This is not only the demand of the improvement of the economic environment and the rectification of the economic order, but also an important content of the deepening of reform. At present, the macroeconomic management of the municipality should be focused on the following several points: 1) We should establish and perfect the management system for macroeconomic targets which affect the overall situation, including the targets of price index, investment scale, consumption fund, credit scale, financial and foreign exchange revenues and expenditures, and policies and progress rate of industries. We should adopt various regulatory and control means to put these targets within the limits of plans, and should establish a strict responsibility system to implement these targets level to level and exercise strict examination over the implementation of these targets; 2) we should strengthen the macroeconomic monitoring, should establish the system of making analysis of economic situation month after month, should have a good command of information and study countermeasures in a timely manner, and should make good coordination to promote the normal operation of the economy; 3) we should safeguard the seriousness of the state plans. On the one hand, we should think of ways to create conditions for enterprises to fulfill their mandatory plans; and, on the other hand, we should strengthen the supervision and examination over the fulfillment of mandatory plans by enterprises; 4) we should further consolidate the circulation order, continue to screen companies and rolled steel dealing units, and strengthen the monopolized management of color television, vehicles, chemical fertilizer, pesticide, and

the rolled steel which is in short supply; 5) we should perfect the market operation rules, establish a normal market order, and develop and perfect the market of means of production and the market for regulating foreign exchange in a planned and well-guided manner.

E. We should continue to launch the campaign of increasing production and practicing economy, increasing revenues and reducing expenditures in order to increase revenues and curb expenditures. In this regard, we should focus our attention on tapping potential. We should vigorously cut back consumption. It is planned that this year the municipality conserve 200 million kwh of electricity, 420,000 tons of coal, and 30 million tons of water. We should strictly define the scale of subsidies, plug loopholes, and actually raise the effectiveness of subsidies. We should strengthen management and raise efficiency. Among money-losing enterprises, we should implement the system that no subsidies will be paid if the loss sustained by the enterprise exceeds the planned figure, and if the loss is reduced, the enterprise will share what is saved. We should strengthen the collection and management of tax revenues and should persistently deal with tax evasion cases according to law. We should strictly implement the method of fixing the quota of budgetary expenditures. The purchases of social institutions should be curbed by 20 percent from the 1988 figure. All departments should be ready to live a tight life by upholding the principles of arduous struggle, and building up the country and carrying out all undertakings through thrifty and hardworking.

Fellow deputies! Since the beginning of this year, although we have been confronted with many serious difficulties, the trend of the national economic development in the municipality has been better than expected thanks to the concerted efforts of the vast number of cadres and the masses. In the first quarter of this year, the total industrial output value showed an increase of 8.2 percent over the corresponding period of last year. The trend of agricultural production was not bad, and the seedlings of crops were doing well. Production of nonstaple foods was also relatively good. Markets were stable; the source of goods was relatively ample; and the sales of food, clothes, and articles for use increased. The increase rate of retail sales prices was slowed down month after month; and savings deposits of urban and rural residents were picking up month after month. However, foreign trade and export declined, and the profits realized by enterprises were not good enough. Various pertinent departments of the municipal government are conscientiously studying ways to solve these problems. We will be confronted with many new problems in our way of advance. But we believe that we will certainly fulfill the 1989 economic and social development plan so long as we firmly implement the central authorities' principles of improving the economic environment, rectifying the economic order and deepening reform, and depend on the vast number of masses to work arduously and overcome difficulties under the leadership of the municipal party committee.

**END OF  
FICHE**

**DATE FILMED**

16 Aug 1989